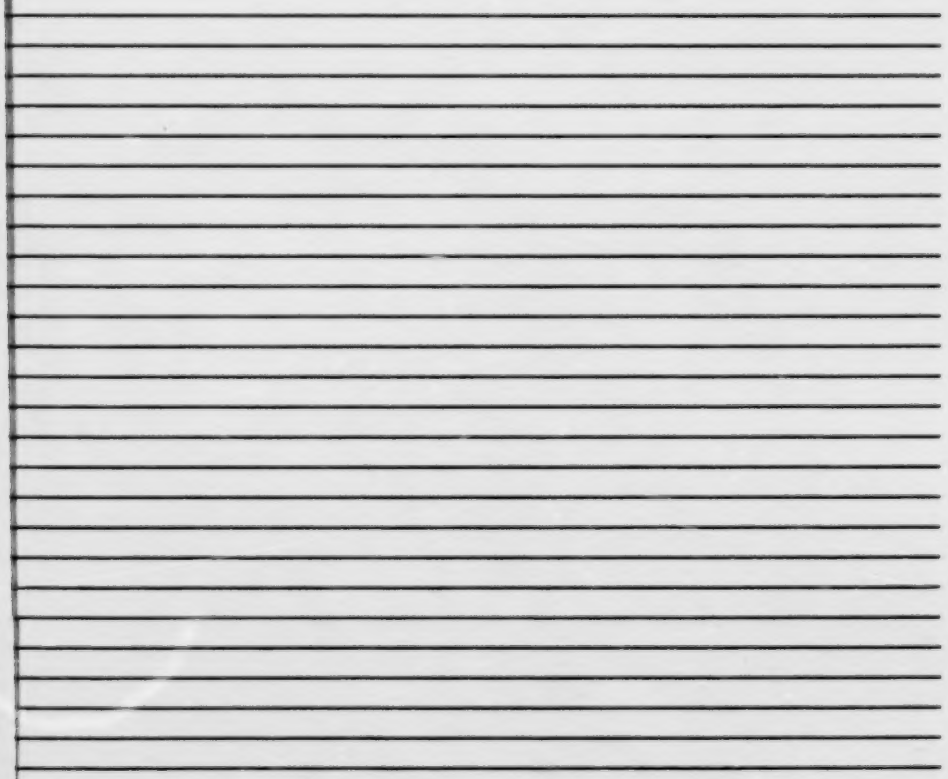
Y 3
. T25
: 1/985/Vol. 2
dwp

DOC EX



Tennessee Valley Authority 1985 Annual Report

VOLUME II

ANNUAL REPORT
OF THE TENNESSEE VALLEY AUTHORITY

VOLUME II — APPENDIXES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1985

For sale by the Treasurer: Tennessee Valley Authority, Knoxville, Tennessee 37902, Price $4.50

APPENDIXES

	Page
Appendix A—Financial statements	2
Balance sheets—September 30, 1985 and September 30, 1984; exhibit I	2
Statements of operations and funds:	
Power program net income and retained earnings; exhibit II	4
Nonpower programs net expense and accumulated net expenses: exhibit III	5
Changes in financial position, exhibit IV	6
Notes to financial statements	8
Auditors' report	14
Schedules containing details of	
Property, plant and equipment:	
Completed plant; schedule A	17
Construction and investigation in progress; schedule B	28
Power expense; schedule C	29
Nonpower net expense; schedule D	38
Operation of multiple-use facilities; schedule E	42
Administrative and general expenses; schedule F	43
Appendix B—Statistical tables	
1. Fertilizers distributed in educational programs	44
2. Summary of material distributed	46
3. TVA power sales	47
4. TVA Procurement Sources	52
Appendix C—Power contracts	53
Appendix D—Summary of Litigation	242

READEX FICHE

TENNESSEE VALLEY AUTHORITY

(A CORPORATION WHOLLY OWNED BY THE UNITED STATES OF AMERICA)

BALANCE SHEETS SEPTEMBER 30, 1985 AND 1984

ASSETS

	Power program		All programs	
	1985	1984	1985	1984
	(Thousands of Dollars)			
PROPERTY, PLANT, AND EQUIPMENT				
substantially all at original cost				
Completed plant; schedule A				
Multipurpose dams; note 2	$ 551,014	$ 541,066	$ 1,423,062	$ 1,407,133
Single-purpose dams	386,599	386,974	386,599	386,974
Steam production plant	3,998,043	3,771,947	3,998,043	3,771,947
Nuclear production plant	2,892,435	2,715,051	2,892,435	2,715,051
Other electric plant	2,880,195	2,878,304	2,880,195	2,878,304
Other plant	-	-	299,241	283,506
	10,708,286	10,293,342	11,879,575	11,442,915
Less accumulated depreciation and depletion; note 1	3,192,518	2,842,136	3,433,860	3,067,431
Completed plant, net	7,515,768	7,451,206	8,445,715	8,375,484
Construction in progress; schedule B and note 4	7,616,985	6,526,589	7,834,223	6,743,958
Capital lease assets; note 5	1,697,207	1,617,182	1,697,207	1,617,182
Nuclear fuel; schedule B	671,165	548,210	671,165	548,210
Less accumulated amortization; schedule B and note 1	652,659	527,924	652,659	527,924
Nuclear fuel, net	18,506	20,286	18,506	20,286
Total	16,848,466	15,615,263	17,995,651	16,756,910
INVESTMENT FUNDS				
at amortized cost; note 7	328,504	145,123	328,504	145,123
CURRENT ASSETS				
Cash	136,864	131,485	251,427	261,310
Accounts receivable	481,285	606,429	496,128	620,870
Inventories, principally at average cost	565,024	693,797	581,553	709,460
Total	1,183,173	1,431,711	1,329,108	1,591,640
DEFERRED CHARGES AND OTHER ASSETS				
Loans and other long-term receivables	287,748	312,197	330,013	349,924
Unamortized cost of cancelled nuclear generating units; note 6	2,627,608	2,865,099	2,627,608	2,865,099
Mine and mill development costs, net; schedule B and note 1	159,948	196,294	159,948	196,294
Energy conservation costs, net; schedule B and note 1	76,403	73,661	76,403	73,661
Unamortized debt issue and reacquisition expense; note 1	5,391	5,966	5,391	5,966
Other deferred charges	15,794	-	15,794	-
Total	3,172,892	3,453,217	3,215,157	3,490,944
Total assets	$21,533,035	$20,645,314	$22,868,420	$21,984,617

Notes 1 through 14 following the exhibits are an integral part of the financial statements.

CAPITALIZATION AND LIABILITIES

	Power program		All programs	
	1985	1984	1985	1984
	(Thousands of Dollars)			
PROPRIETARY CAPITAL				
Appropriation investment; note 8				
Congressional appropriations	$ 1,419,362	$ 1,419,426	$ 4,291,314	$ 4,166,207
Transfers of property from other Federal agencies, net	23,773	23,795	59,538	58,402
	1,443,135	1,443,221	4,350,852	4,224,609
Less repayments to General Fund of the U.S. Treasury; note 9	615,059	595,059	656,876	636,785
Appropriation investment	828,076	848,162	3,693,976	3,587,824
Retained earnings reinvested in the power program; exhibit II	1,830,454	1,500,584	1,830,454	1,500,584
Accumulated net expense of nonpower programs; exhibit III	-	-	(1,611,533)	(1,482,155)
Total	2,658,530	2,348,746	3,912,897	3,606,253
LONG-TERM DEBT				
Principal; note 10	15,525,000	14,525,000	15,525,000	14,525,000
Less unamortized discount; note 1	3,796	4,172	3,796	4,172
Total	15,521,204	14,520,828	15,521,204	14,520,828
OTHER LIABILITIES				
Capital lease obligations; note 5	1,695,422	1,615,543	1,695,422	1,615,543
Decommissioning of nuclear plant; note 1	66,837	41,302	66,837	41,302
Reclamation of coal properties	16,241	11,792	16,241	11,792
Cancellation costs for nuclear generating units; note 6	56,045	127,555	56,045	127,555
Total	1,834,545	1,796,192	1,834,545	1,796,192
CURRENT LIABILITIES				
Short-term debt; note 10				
U.S. Treasury	150,000	150,000	150,000	150,000
Federal Financing Bank	481,000	685,000	481,000	685,000
Short-term debt	631,000	835,000	631,000	835,000
Current maturities of long-term debt; note 10	100,000	-	100,000	-
Current portion of capital lease obligations; note 5	1,785	1,639	1,785	1,639
Accounts payable	397,494	752,159	443,214	804,708
Employees' accrued leave	28,202	34,281	60,546	51,812
Payrolls accrued	12,647	23,647	15,601	35,363
Interest accrued	347,628	332,822	347,628	332,822
Total	1,518,756	1,979,548	1,599,774	2,061,344
COMMITMENTS AND CONTINGENCIES; notes 4, 12, and 14				
Total capitalization and liabilities	$21,533,035	$20,645,314	$22,868,420	$21,984,617

TENNESSEE VALLEY AUTHORITY

EXHIBIT II

POWER PROGRAM

STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE YEARS ENDED SEPTEMBER 30, 1985, 1984, AND 1983

	1985		1984		1983	
	kWh	Amount	kWh	Amount	kWh	Amount
				(Thousands)		
OPERATING REVENUES						
Sales of electric energy						
Municipalities and cooperatives	82,155,187	$3,272,255	80,700,297	$3,189,653	76,305,236	$2,936,006
Federal agencies; note 13	5,216,229	565,898	11,162,287	648,847	16,352,790	693,909
Industries	15,424,411	628,995	16,455,426	685,249	13,065,280	583,180
Electric utilities	391,205	15,837	317,950	14,358	157,764	7,958
Interdivisional	356,863	15,586	390,224	16,997	352,705	15,116
Revenue credit due customers	-	-	-	(150,000)	-	(152,000)
Total sales of electric energy	103,543,895	4,498,571	109,026,184	4,405,104	106,233,775	4,084,169
Rents		25,949		27,847		16,525
Discounts and penalties		1,265		3,168		2,244
Other miscellaneous revenues		21,701		16,951		11,381
Total operating revenues		4,547,486		4,453,070		4,114,319
OPERATING EXPENSES; schedule C						
Production						
Fuel		1,427,148		1,362,851		1,357,530
Other		556,950		495,868		392,897
Transmission		43,139		43,210		42,000
Customer accounts; note 14		(11,242)		24,743		18,866
Power consumer services		18,189		20,262		17,684
Demonstration of power use		24,348		18,027		15,871
Research, development, and demonstrations		52,105		40,918		60,927
General and administrative		215,360		186,104		167,045
Payments in lieu of taxes		188,248		170,172		165,193
Amortization of loss on cancelled nuclear generating units; note 6		-		145,000		-
Provision for depreciation		287,566		267,388		247,054
Total operating expenses		2,801,811		2,774,543		2,485,067
Operating income		1,745,675		1,678,527		1,629,252
OTHER INCOME AND DEDUCTIONS						
Interest income		33,216		28,946		8,466
Abandonment of uranium properties		(117,000)		-		-
Charge related to loss on cancelled nuclear generating units; note 6		(180,690)		(800,000)		(204,168)
Other, net		(21,595)		(15,467)		(2,725)
Total other income and deductions		(286,069)		(786,521)		(198,427)
Income before interest charges		1,459,606		892,006		1,430,825
INTEREST CHARGES						
Interest on long-term debt		1,547,996		1,508,975		1,437,271
Other interest expense		61,867		49,483		52,363
Allowance for borrowed funds used during construction; note 1		(577,645)		(532,976)		(498,301)
Amortization of long-term debt discount and expense; note 1		972		973		988
Net interest charges		1,033,190		1,026,455		992,321
NET INCOME (LOSS)		426,416		(134,449)		438,504
Return on appropriation investment; note 9		96,546		93,657		106,567
Increase (decrease) in retained earnings reinvested		329,870		(228,106)		331,937
Retained earnings reinvested at beginning of period		1,500,584		1,728,690		1,396,753
Retained earnings reinvested at end of period		$1,830,454		$1,500,584		$1,728,690

Certain operating expenses for 1984 and 1983 have been reclassified for comparative purposes.

Notes 1 through 14 following the exhibits are an integral part of the financial statements.

TENNESSEE VALLEY AUTHORITY

EXHIBIT III

NONPOWER PROGRAMS

STATEMENTS OF NET EXPENSE AND ACCUMULATED NET EXPENSE

FOR THE YEARS ENDED SEPTEMBER 30, 1985, 1984, AND 1983

	1985	1984	1983
	(Thousands of Dollars)		
GENERAL RESOURCES DEVELOPMENT			
Navigation operations	$ 11,410	$ 11,097	$ 8,637
System flood control operations	9,040	10,000	9,229
Recreation development	7,886	15,989	7,933
Community preparedness	2,156	2,529	3,450
Regional water quality management	4,142	2,216	1,674
Fisheries and wildlife resources development	1,638	3,105	1,794
Environmental protection of public lands and water	970	1,049	964
Environmental education	515	927	625
Valley agricultural development	5,812	5,817	5,303
Renewable fuels research	5,444	2,635	4,970
Forest resources development	1,951	1,721	1,505
Acidic precipitation assessment	-	503	308
TVA lands planning	675	765	728
Townlift	850	788	1,179
Industrial skills development	3,354	6,202	2,152
Economic development and analysis	3,423	3,184	3,198
Waterway development and engineering assistance	1,635	4,571	1,744
Tennessee-Tombigbee waterway development	874		
Special opportunities cities and counties program	4,264	1,182	2,204
Minority economic development	1,036	549	2,245
Floodplain management	350	1,109	2,579
Regional water and wastewater supply	1,568	1,273	-
Land Between The Lakes operations	8,422	9,639	8,514
Valley mapping and remote sensing	1,108	1,021	1,047
Other general resources development projects	676	688	592
Net expense of general resources development	79,199	88,559	69,574
FERTILIZER DEVELOPMENT; note 1			
Research and development	26,806	24,380	18,336
Fertilizer introduction			
Fertilizer industry demonstrations	4,058	3,624	3,552
Farm test demonstrations outside the Valley	1,540	1,486	1,878
Net expense of fertilizer introduction	5,598	5,110	5,430
Developmental production			
Cost of products distributed	30,398	40,413	36,680
General expenses			
Loss on retirements of manufacturing plant and equipment, net	474	126	145
Gain on sale of phosphate reserves, net	-	-	(181)
Removal of obsolete facilities	-	3,507	-
General and administrative	1,171	1,175	926
Other	1,670	1,549	1,724
Total general expenses	3,315	6,357	2,614
Total production expense	33,713	46,770	39,294
Less transfers and sales of products			
Transfers to other TVA programs, at market prices	16,225	24,426	20,312
Direct sales	500	434	362
Total transfers and sales	16,725	24,860	20,674
Net expense of developmental production	16,988	21,910	18,620
Net expense of fertilizer development	49,392	51,400	42,386
NATIONAL ENERGY DEMONSTRATIONS	152	(297)	32
OTHER EXPENSE, NET	635	1,022	(1,451)
NET EXPENSE; schedule D	129,378	140,684	110,541
Accumulated net expense at beginning of period	1,482,155	1,341,471	1,230,930
Accumulated net expense at end of period	$1,611,533	$1,482,155	$1,341,471

Notes 1 through 14 following the exhibits are an integral part of the financial statements.

TENNESSEE VALLEY AUTHORITY
STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 1985, 1984, AND 1983

	Power program			All programs		
	1985	1984	1983	1985	1984	1983
	(Thousands of Dollars)					
SOURCE OF FUNDS						
Program sources						
Net power income (loss); exhibit II	$ 426,416	$ (134,449)	$ 438,504	$ 426,416	$ (134,449)	$ 438,504
Items not requiring funds; note a	20,000	750,546	20,000	20,000	750,546	20,000
Funds from power operations	446,416	616,097	458,504	446,416	616,097	458,504
Sale of power assets, principally nuclear fuel sales	120,806	137,399	183,795	120,806	137,399	183,795
Funds from power program; note b	567,222	753,496	642,299	567,222	753,496	642,299
Net expense of nonpower programs; exhibit III				(129,378)	(140,684)	(110,540)
Add items not requiring funds; note a				18,641	18,592	9,849
Funds used in nonpower operations				(110,737)	(122,092)	(100,691)
Sale of nonpower facilities				1,809	975	1,592
Funds used in nonpower programs				(108,928)	(121,117)	(99,099)
Debt sources						
Long-term bonds						
Issues	1,100,000	250,000	850,000	1,100,000	250,000	850,000
Reclassification of current maturities	(100,000)	-	-	(100,000)	-	-
Short-term notes						
Issues	31,799,000	8,275,000	2,855,000	31,799,000	8,275,000	2,855,000
Redemptions	(32,003,000)	(8,155,000)	(2,875,000)	(32,003,000)	(8,155,000)	(2,875,000)
Total debt sources	796,000	370,000	830,000	796,000	370,000	830,000
Other sources						
Recovery of mine and mill development costs through litigation	-	56,000	-	-	56,000	-
Recovery of costs of cancelled and deferred nuclear units	19,970	25,955	28,094	19,970	25,955	28,094
Liability for disposal of spent nuclear fuel	-	-	95,834	-	-	95,834
Liability for cancellation costs for nuclear generating units, net of adjustments	(36,831)	(214)	(70,416)	(36,831)	(214)	(70,416)
Congressional appropriations	234	1,285	1,141	125,107	85,629	216,433
Property transfers	(22)	(110)	59	1,136	(137)	400
Capital lease obligations	79,878	135,423	187,245	79,878	135,423	187,245
Total other sources	63,229	218,339	241,957	189,260	302,656	457,590
Total source of funds	$1,426,451	$1,341,835	$1,714,256	$1,443,554	$1,305,035	$1,830,790
DISPOSITION OF FUNDS						
Expended for plant and equipment, excluding allowance for borrowed funds used	$1,029,578	$ 863,242	$1,228,271	$1,056,808	$ 919,586	$1,295,626
Less:						
Depreciation and depletion allowances charged to construction clearing accounts and other asset categories	12,355	10,872	10,458	14,407	12,966	12,641
Cost of removing retired facilities and salvage from retained materials	(8,282)	(7,998)	(6,816)	(8,794)	(9,270)	(7,118)
	1,025,505	860,368	1,224,629	1,051,195	915,890	1,290,103
Capital lease assets	80,024	135,546	187,371	80,024	135,546	187,371
Payments to U.S. Treasury; note 9						
Return on appropriation investment	96,546	93,657	106,567	96,546	93,657	106,567
Repayments of appropriation investment	20,000	20,000	20,000	20,091	20,000	20,000
	116,546	113,657	126,567	116,637	113,657	126,567
Investment of funds	155,634	42,691	43,995	155,634	42,691	43,995
Changes in other assets and liabilities						
Loans and other long-term receivables (net of $19,506 writeoff for uranium properties)	(4,943)	32,888	(15,516)	(406)	32,641	(17,335)
Spent nuclear fuel disposal costs	-	172,616	102,869	-	172,616	102,869
Mine and mill development cost	12,543	9,117	(1,603)	12,543	9,117	(1,603)
Energy conservation cost	31,973	29,976	32,524	31,973	29,976	32,524
Cancellation costs for nuclear generating units, net of adjustments	(36,831)	(214)	(70,416)	(36,831)	(214)	(70,416)
Payment of cancellation costs for nuclear generating units	34,679	21,324	14,148	34,679	21,324	14,148
Other	3,068	-	-	3,068	-	-
	40,489	265,707	62,006	45,026	265,460	60,197
Changes in working capital (increase or decrease)						
Cash	5,379	71,504	(5,449)	(9,883)	(9,159)	50,800
Accounts receivable	(125,144)	155,887	(56)	(124,742)	154,127	4,828
Inventories	(128,773)	(74,034)	(20,863)	(127,907)	(74,320)	(27,351)
	(248,538)	153,357	(26,368)	(262,532)	70,648	28,277
Less other current liabilities (excluding short-term debt, including current maturities of long-term debt)	(256,791)	229,491	(96,056)	(257,570)	238,857	(94,290)
	8,253	(76,134)	69,688	(4,962)	(168,209)	122,567
Total disposition of funds	$1,426,451	$1,341,835	$1,714,256	$1,443,554	$1,305,035	$1,830,790

NOTES:

a. Items not requiring funds:

	Power			Nonpower		
	1985	1984	1983	1985	1984	1983
	(Thousands of Dollars)					
Provision for depreciation	$287,566	$267,388	$247,054	$17,813	$16,216	$9,885
Amortization of loss on cancelled nuclear units	180,690	145,000	204,168	-	-	-
Charge related to loss on cancelled nuclear generating units	-	800,000	-	-	-	-
Net loss (gain) on retirements and disposals of property, plant, and equipment	3,152	2,636	2,725	828	5,066	(36)
Loss on sale of investment	-	8,593	-	-	-	-
Abandonment of uranium properties	117,000	-	-	-	-	-
Amortization of energy conservation cost	29,231	24,418	30,297	-	-	-
Provision for lease payments	619	-	-	-	-	-
Provision for writeoff of uranium properties	16,500	20,850	20,850	-	-	-
Provision for reclamation and other costs of coal properties	3,830	11,792	-	-	-	-
Provision for disposal of spent fuel	-	-	7,537	-	-	-
Provision for decommissioning nuclear plants	25,535	9,550	4,968	-	-	-
Provision for recoverable long-term advances	-	-	-	-	(2,690)	-
Reclassification of prior years' costs	(28,364)	-	-	-	-	-
Allowance for recovery of operating expense	(11,340)	-	-	-	-	-
Amortization of long-term debt discount and expense	972	973	988	-	-	-
Amortization of discount on decommissioning fund investments	(18,443)	(7,678)	(286)	-	-	-
Amortization of discount on bond retirement fund investments	(9,303)	-	-	-	-	-
Allowance for borrowed funds used during construction	(577,645)	(532,976)	(498,301)	-	-	-
	$ 20,000	$750,546	$ 20,000	$18,641	$18,592	$9,849

b. Net power proceeds (see note 9) may be derived as follows:

	Year ended September 30		
	1985	1984	1983
	(Thousands of Dollars)		
Funds from power program	$ 567,222	$ 753,496	$ 642,299
Add interest	1,609,863	1,558,458	1,489,634
Net power proceeds	$2,177,085	$2,311,954	$2,131,933

Notes 1 through 14 following the exhibits are an integral part of the financial statements.

1. Summary of significant accounting policies--Power accounts are kept in accordance with the uniform system of accounts prescribed by the Federal Energy Regulatory Commission.

Plant additions and retirements--Additions to plant are recorded at cost, which includes material, labor, overhead, and allowance for funds used. The costs of generation during preliminary operations prior to commercial acceptance, including amortization of nuclear fuel less credit for the fair value of energy generated, are also included in the recorded costs of steam and nuclear generating plants. Except for chemical plant, plant retirements (including original cost and removal cost less salvage) are charged against appropriate accumulated depreciation accounts.

Depreciation and depletion--Straight-line depreciation is provided for substantially on a composite basis. Rates of depreciation are derived from engineering studies of useful life and are reviewed each year. Depletion of coal land and landrights and phosphate land and mineral rights is provided on a unit of production basis.

Decommissioning--Provision for decommissioning costs of nuclear generating units is derived through engineering studies of useful life and estimated costs based on the dismantling/removal method. The cost estimates for decommissioning as provided in fiscal year 1985 were based on a current dollar value amounting to $95 million and $100 million per unit, respectively, for pressurized water and boiling water reactors.

Allowance for funds used--The practice of capitalizing an allowance for funds used during construction is followed in the power program. In accordance with the TVA Board of Directors' criteria for establishing wholesale power rates, the allowance is applicable to construction in progress excluding generating facilities in a deferred status. The amount of interest capitalized is limited to the amount of depreciation and other noncash charges less the amount of the repayment of the appropriation investment to the U.S. Treasury. The method used provides for the calculation each month of the interest on the most recent debt issues that are equivalent to the average balance of construction work in progress.

Repairs and maintenance--The cost of current repairs and minor replacements is charged to appropriate operating expense and clearing accounts, and the cost of renewals and betterments is capitalized.

Nuclear fuel--The cost of nuclear fuel is charged to operations on a unit of production basis in amounts equal to lease payments (the cost of fuel burned plus finance charges) and a provision for spent nuclear fuel disposal.

Valuation of investments--Investments are recorded at amortized cost. Discounts are amortized at the yield rate over the life of each instrument.

Energy conservation costs--Certain energy conservation program costs are deferred and charged to operations over a five-year period.

Mine and mill development costs--Deferred mine and mill development costs are assigned to coal inventory and nuclear fuel on a unit of production basis determined in relation to estimated ore reserves. Each year the investment in uranium properties is evaluated to determine if any costs related to these properties may not be recovered from future operations. Certain uranium properties were abandoned in the current year which resulted in a charge in 1985 of $117 million. The balance of the estimated costs not recoverable from operations, approximately $63 million at September 30, 1985, will be amortized over a four-year period beginning in fiscal year 1986.

Operating revenues--Revenues from the sale of electric energy are recorded only when billed. Revenue credits due customers are recorded in accordance with authorization of the Board of Directors.

Borrowing expenses--Issue and reacquisition expenses and discounts on power borrowings from the public are amortized on a straight-line basis over the term of the related securities. Issue expenses on power borrowings from the Federal Financing Bank are amortized over a five-year period except that amounts under six thousand dollars are expensed as incurred.

Sales of fertilizer--Sales of fertilizer materials are not made on a commercial basis, but are made to organizations collaborating in an experimental and educational program aimed at improving the manufacture, distribution, and use of fertilizers.

2. Allocation of cost of multipurpose projects--Section 14 of the TVA Act requires TVA's Board of Directors to allocate, subject to the approval of the President of the United States, the cost of completed multipurpose projects. The cost of facilities installed exclusively for a single purpose is assigned directly to that purpose; the cost of multiple-use facilities is allocated among the various purposes served.

The total investment of $1,423,062,000 in completed multipurpose dams at September 30, 1985, is classified as follows:

	Investment		
	Direct	Multiple-use	Total
	(Thousands)		
Power	$340,095	$210,919	$ 551,014
Navigation	288,743	165,344	454,087
Flood control	65,364	186,876	252,240
Recreation	6,473	115,152	121,625
Local economic development	144	43,952	44,096
Total	$700,819	$722,243	$1,423,062

3. Nuclear Power Program--Nuclear production plant at September 30, 1985, consists of the operating units at Browns Ferry (Alabama) and Sequoyah (Tennessee). There are a total of four units under construction at Watts Bar (Tennessee) and Bellefonte (Alabama). The following describes the status of these units at September 30, 1985.

Browns Ferry is a three-unit plant which was taken offline in March 1985 for certain plant modifications and regulatory improvements. The projected dates for resuming operations for each unit are: Unit Two - 1986, Unit Three - 1987, and Unit One - 1989.

Sequoyah is a two-unit plant which was taken offline in August 1985 when questions were raised about the adequacy of documentation for qualifying certain equipment for operation under emergency conditions. The current planned operation date for both units is early 1986.

Watts Bar is a two-unit plant currently under construction. The planned fuel loading date for Unit One is mid-1986 and for Unit Two is 1987. There have been certain safety issues raised by construction employees and other TVA employees that are currently being examined. While TVA believes that such issues can be resolved within the aforementioned timeframe, their resolution may defer issuance by the Nuclear Regulatory Commission (NRC) of the operating license for Unit One. The investment in the Watts Bar plant, which is included in construction in progress, at September 30, 1985, is approximately $3.44 billion.

By letter of September 17, the NRC imposed the requirement that certain information be furnished by TVA prior to further operations or licensing of any TVA nuclear units. In response to this request, on November 1, TVA supplied information specific to Sequoyah Nuclear Plant and corporate management. TVA is working to supply the information requested on the other plants.

Bellefonte is a two-unit plant currently under construction. The expected fuel loading dates for these units are 1993 and 1995. Because the projection of future electric power usage in the region has been reduced, construction activities on these units have been slowed. The costs being incurred for Unit One are for maintenance of systems already in place and certain minimum levels of construction. The costs being incurred for Unit Two are for the preservation of the current investment with minimal additional construction. The investment in the Bellefonte plant, which is included in construction in progress, at September 30, 1985, is approximately $3.40 billion.

While the above dates are subject to change, the costs associated with these plants will be recovered through rates charged to customers.

4. Construction projects--The construction budgets for fiscal years 1986, 1987, and 1988 are $1.4 billion, $1.3 billion, and $1.0 billion. Substantial commitments have been incurred for these projects. These estimates are reviewed and revised periodically to reflect changes in economic conditions and other factors considered in their determination.

The coal gasification project has been placed in a Defense energy reserve status. While additional construction activity has ceased, major contracts remain open subject to reactivation of the appropriation-financed project, the investment in which was approximately $113 million at September 30, 1985.

5. Capital leases--Nuclear fuel is obtained directly from vendors and through contractual arrangements providing for mining, milling, and fabrication of raw materials obtained from land leased by TVA. Under an agreement entered into in 1980, TVA sells and leases back all nuclear fuel on hand except for that prior to the milling stage or in a spent condition. TVA leases property, plant, and equipment under lease agreements with terms ranging from one to thirty years. Under most of the agreements, TVA pays the property taxes, maintenance costs, and other costs of operation. Many of the agreements are the result of sale-leaseback arrangements. Most of the agreements include purchase options and/or renewal options which cover substantially all the economic lives of the properties.

As of September 30, 1985, capital leases have been reported retroactively on the balance sheet and statements of changes in financial position while rental expenses continue to be recorded in accordance with the ratemaking process as provided by Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation. The following analyses pertain to capital and noncancelable lease agreements in effect at September 30, 1985 and 1984:

CAPITAL LEASES

Property	September 30 1985	September 30 1984
	(Thousands)	
Nuclear fuel	$1,637,200	$1,555,537
General plant	69,678	69,678
Total properties under capital leases	1,706,878	1,625,215
Accumulated provision for amortization of capital leases	9,671	8,033
Net properties under capital leases	$1,697,207	$1,617,182
Obligations under capital leases	$1,697,207[a]	$1,617,182

FUTURE MINIMUM LEASE PAYMENTS

Fiscal Period	Capital Leases[b]	Noncancelable Operating Leases
1986	$ 7,480	$ 5,428
1987	7,480	5,067
1988	7,656	4,585
1989	7,597	4,042
1990	7,597	2,574
Thereafter	96,306	8,466
Total future minimum lease payments	134,116	$30,162
Less interest element included	74,109	
Present value of future minimum lease payments	$ 60,007	

a. Includes payments due in 1986 of $1.8 million, excluding nuclear fuel.

b. Excludes payments under nuclear fuel lease, which are based on the cost of nuclear fuel burned and financial charge.

Amortization of capital leases, including nuclear fuel, for the years ended September 30, 1985, 1984, and 1983 was $107,730,000, $124,857,000, and $111,280,000, respectively. Operating expenses for the same respective years included finance charges for capital leases in the amounts of $36,531,000, $35,700,000, and $26,238,000.

Rentals for all operating leases have been charged to clearing accounts, portions of which are charged to operations, for the years ended September 30, 1985, 1984, and 1983, in the amounts of $9,501,000, $7,318,000, and $6,709,000, respectively.

6. Cancelled nuclear generating units--In August 1982, the TVA Board of Directors approved cancellation of construction of four nuclear generating units, and in August 1984, approved the cancellation of four additional units. These units were at the Phipps Bend, Hartsville, and Yellow Creek sites. In accordance with the August 1984 Board action, the balance of the costs of the eight units, after a charge of $800 million to fiscal year 1984 expense, is being amortized over an 11-year period beginning with fiscal year 1985. The amortization schedule provides for a minimum of 6 percent to be applied to the $2.8 billion unamortized balance at September 30, 1984, and increases by 1 percent each year until the fifth year at which time it would be 10 percent, which will be the rate over the final seven years. The unamortized balance of these costs is being recovered through rates from customers and therefore is recorded as a deferred charge on the balance sheet.

7. Investment funds--TVA has made investments of power funds beginning in 1982 to provide for the accumulation of funds required for retirement of bonds and decommissioning of nuclear plants. Deposits into the funds have been made based upon annual calculations of the fund requirements considering rates of return, inflation, and projections of decommissioning costs. As of September 30, 1984, the existing portfolio of investments, including amounts previously invested in the bond retirement fund, was dedicated to the decommissioning fund as a prudent financial management decision based upon projected decommissioning fund needs and the ability of the portfolio to meet them. Additional investments for the decommissioning fund will be determined in accordance with the factors above for existing and new generating units. The fund balance at September 30, 1985, was $163,566,000.

The bond retirement investment fund, beginning in October 1984, is being funded through deposits calculated to yield adequate funds to retire $4.6 billion of debt in 2002. The deposits are being made over a period of 11 years coinciding with the amortization schedule for cancelled plant costs. The fund balance at September 30, 1985, was $164,938,000.

8. Appropriation investment--Changes in the appropriation investment during the years ended September 30, 1985 and 1984 were as follows:

	Power program		All programs	
	1985	1984	1985	1984
	(Thousands)			
Congressional appropriations, net	$ (64)	$ 5,071	$ 125,107	$ 85,629
Transfers of property from other Federal agencies	(22)	(110)	1,136	(137)
	(86)	4,961	126,243	85,492
Less repayments to General Fund of the U.S. Treasury	20,000	20,000	20,091	20,000
Increase or decrease for the period	(20,086)	(15,039)	106,152	65,492
Balance, beginning of period	848,162	863,201	3,587,824	3,522,332
Balance, end of period	$828,076	$848,162	$3,693,976	$3,587,824

An appropriation of $113 million for the fiscal year beginning October 1, 1985, has been approved.

9. Payments to the U.S. Treasury--Section 15d of the TVA Act requires the payment from net power proceeds of a return on the net appropriation investment in power facilities plus repayments of such investment, beginning with fiscal year 1961. The amount of return payable during each year is based on the appropriation investment as of the beginning of that year and the computed average interest rate payable by the U.S. Treasury on its total marketable public obligations as of the same date. The repayment schedule calls for payment of not less than $10 million for each of the first five years (1961-1965), $15 million for each of the next five years (1966-1970), and $20 million for each year thereafter until a total of $1 billion shall have been repaid. The payments required by Section 15d may be deferred under certain circumstances for not more than two years.

Required payments have been made as follows:

	Return	Repayment	Total
		(Thousands)	
Total to September 30, 1984	$1,508,303	$410,000	$1,918,303
Year ended September 30, 1985	96,546	20,000	116,546
	$1,604,849	$430,000	$2,034,849

For fiscal year 1986 the required payments will be $85,979,000 as a return on the appropriation investment at the computed average interest rate of 10.383 percent, and $20,000,000 as a repayment, a total of $105,979,000.

In addition to the payments from net power proceeds, certain nonpower proceeds are paid to the U.S. Treasury under the provisions of Section 26 of the TVA Act. During fiscal year 1985, payments of $91,000 were made, bringing the total payments from nonpower proceeds to $41,817,000.

Prior to 1961, under then existing legislation, TVA paid to the Treasury $185,059,000 of power proceeds. In addition to the repayments indicated in Exhibit I, $65,072,000 of bonds sold to the Treasury and Reconstruction Finance Corporation in fiscal years 1939-1941 have been fully repaid from power proceeds. Section 26 of the TVA Act provides for annual payments to the Treasury of any power or nonpower proceeds not needed for the operation of dams and reservoirs, the conduct of the power program, and the manufacture and distribution of fertilizers.

10. Borrowing authority--Section 15d of the TVA Act authorizes TVA to issue bonds, notes, and other evidences of indebtedness up to a total of $30 billion outstanding at any one time to assist in financing its power program. Debt service on these obligations, which is payable solely from TVA's net power proceeds, has precedence over the payment to the U.S. Treasury described in note 9. Issues outstanding on September 30, 1985, consist of the following:

		(Thousands)
Long-term debt		
Held by the public		
4-1/2%	1962 Series A, due February 1, 1987	$ 45,000
5.70%	1967 Series A, due May 15, 1992	70,000
6-3/8%	1967 Series B, due November 1, 1992	60,000
8-1/4%	1969 Series B, due October 15, 1994	100,000
7.30%	1971 Series B, due October 1, 1996	150,000
7%	1972 Series A, due January 1, 1997	150,000
7.35%	1972 Series B, due May 1, 1997	150,000
7.35%	1972 Series C, due July 1, 1997	150,000
7.40%	1972 Series D, due October 1, 1997	150,000
7.35%	1973 Series A, due January 1, 1998	100,000
7.35%	1973 Series B, due April 1, 1998	150,000
7-3/4%	1973 Series C, due July 1, 1998	150,000
7.70%	1973 Series D, due October 1, 1998	100,000
8.05%	1974 Series A, due January 1, 1999	100,000
		1,625,000
Federal Financing Bank		
8.05%	1975 Series A, due January 31, 1990	200,000
8.70%	1975 Series B, due March 31, 2000	100,000
8.35%	1975 Series C, due May 31, 1988	200,000
8.47%	1975 Series D, due July 31, 2000	200,000
8.485%	1975 Series E, due October 31, 2000	300,000
8.175%	1976 Series A, due February 28, 2001	300,000
7.97%	1976 Series B, due November 30, 2001	400,000
7.625%	1976 Series C, due January 31, 2002	200,000
7.975%	1977 Series A, due February 28, 2002	300,000
7.935%	1977 Series B, due May 31, 2002	400,000
8%	1977 Series C, due October 31, 2002	400,000
8.375%	1978 Series A, due January 31, 2003	400,000
9.296%	1979 Series A, due February 28, 1989	500,000
9.155%	1979 Series B, due May 31, 1987	500,000
9.195%	1979 Series C, due August 31, 2004	500,000
10.545%	1979 Series D, due October 31, 2004	400,000
11.225%	1980 Series A, due January 31, 2005	500,000
12.955%	1980 Series B, due March 31, 2005	500,000
10.475%	1980 Series C, due June 30, 2005	500,000
10.890%	1980 Series D, due August 31, 2005	500,000
12.425%	1980 Series E, due November 30, 2005	500,000
12.735%	1981 Series A, due March 31, 2011	500,000
12.925%	1981 Series B, due April 30, 2011	500,000
13.255%	1981 Series C, due June 30, 2011	500,000
14.905%	1981 Series D, due September 30, 2011	300,000
13.035%	1981 Series E, due December 31, 2011	650,000
13.565%	1982 Series A, due April 30, 2012	700,000
13.575%	1982 Series B, due May 31, 2012	300,000
14.125%	1982 Series C, due July 31, 2012	350,000
11.945%	1982 Series D, due September 30, 2012	100,000
10.725%	1982 Series E, due November 30, 2012	200,000
10.575%	1983 Series A, due January 31, 2013	150,000
10.575%	1983 Series B, due March 31, 2013	150,000
10.425%	1983 Series C, due May 31, 2013	100,000
11.685%	1983 Series D, due August 31, 2013	250,000
11.905%	1983 Series E, due January 31, 2014	150,000
12.055%	1984 Series A, due January 31, 2014	100,000
11.695%	1985 Series A, due January 31, 2015	100,000
12.095%	1985 Series B, due March 31, 2015	150,000
10.945%	1985 Series C, due May 31, 2015	150,000
10.725%	1985 Series D, due July 31, 2015	500,000
10.705%	1985 Series E, due September 30, 2015	200,000
		13,900,000
	Total long-term debt	15,525,000
Short-term debt		
U.S. Treasury		150,000
Federal Financing Bank		481,000
	Total short-term debt	631,000
Current maturities of long-term debt		100,000
		$16,256,000

The interest rate on short-term debt owed to U.S. Treasury as of September 1985, was 8.25 percent and the average rate on short-term debt outstanding with Federal Financing Bank as of September 30, 1985, was 7.29 percent.

During fiscal years 1985, 1984, and 1983, the maximum amounts of short-term borrowings outstanding were $1,155,000,000, $835,000,000, and $910,000,000, respectively, and the average amounts (and weighted average interest rates) of such borrowings were approximately $944,000,000 (8.4 percent), $628,000,000 (10.0 percent), and $700,000,000 (8.7 percent), respectively.

11. Retirement plan--TVA has a contributory retirement plan which covers substantially all of its salaried employees. The cost of currently accruing benefits is funded currently. The cost of the plan to TVA, including amortization of unfunded prior service costs over the average future careers of active members, was $76,437,000 in 1985, $75,348,000 in 1984, and $72,608,000 in 1983. These costs are charged to all TVA activities in relation to direct labor charges.

The valuation information as of September 30, 1984 and 1983, the latest actuarial valuation dates, follows:

	1984	1983
Assumed rate of return used in determining actuarial present value of accumulated plan benefits	8.5%	8.5%
Actuarial present value of accumulated plan benefits (thousands)		
Vested	$ 913,661	$ 823,848
Nonvested	54,423	47,336
	$ 968,084	$ 871,184
Net assets at market value available for benefits (thousands)	$1,241,655	$1,106,714

12. Nuclear insurance--Under the Price-Anderson Act of 1954, as amended (the Act), TVA maintains for each operating nuclear plant a two-layer combination of private insurance and industry-wide self-insurance which protects TVA up to the Act's current maximum aggregate liability of $640 million per nuclear incident. This protection covers liability for bodily injury, death, and loss of or damage to property located off the plant site. The first layer is private insurance, with a current maximum amount available of $160 million. The second layer, presently $480 million, is a program of self-insurance in which each nuclear reactor owner could be retrospectively assessed, for each of its operational nuclear units, an amount not to exceed $5 million per each nuclear incident, and not to exceed $10 million per year in the event of more than one nuclear incident in a year. Any amount in excess of $10 million in any year would be carried forward until fully paid. Based on the number of operating nuclear units presently in service, TVA would be subject to a maximum assessment of $25 million in the event of a single incident and $50 million in any calendar year.

TVA is a member of Nuclear Mutual Limited (NML) which provides nuclear property insurance for the Browns Ferry Nuclear Plant for losses up to $500 million. This insurance may require the payment of a retrospective premium of up to approximately $37 million in the event that losses by NML members exceed its available funds. Property insurance up to $500 million is also maintained for the Sequoyah Nuclear Plant, but is not subject to retrospective assessments.

TVA is also a member of Nuclear Electric Insurance Limited (NEIL), which provides nuclear property insurance for property damage to member nuclear plants in excess of $500 million. TVA presently insures all of its operating nuclear plants with NEIL for $525 million and is subject to a maximum assessment of approximately $19 million in the event losses by NEIL members exceed its available funds.

13. Major customers--In fiscal years 1985, 1984, and 1983, sales of electric power to one Federal agency amounted to 11 percent, 14 percent, and 16 percent, respectively, of total operating revenues. This customer in accordance with contract provisions has exercised its right, through notices eight years in advance, to reduce the amount of electric power to be purchased. These reductions, amounting to 1,000 megawatts each year, take place in the month of December in 1989, 1990, 1991, and 1992. TVA has taken the reductions into account in its future power supply plans.

14. Litigation--A suit filed in October 1981 in the United States District Court for the Middle District of Tennessee challenges TVA's charging of rates to produce revenues to pay interest costs on funds borrowed for construction of new facilities. Plaintiffs seek a declaratory judgment that TVA's action is unlawful and an injunction requiring TVA to "refund" to consumers about $1 billion in alleged "overcharges," representing current interest charges collected from ratepayers. TVA has moved to dismiss or for summary judgment. In TVA's opinion, plaintiffs are unlikely to prevail.

TVA has been sued, along with the United States and the Olin Corporation, by a group of plaintiffs numbering between 5,000 and 7,500, who claim to have been injured by the release of DDT manufactured by Olin which overflowed property titled to the United States and collected in a tributary of the Tennessee River. The original lawsuits were filed in September and October 1983, and several others have been filed since. The plant site where the DDT was manufactured was never under the custody or control of TVA; custody and control of the area through which DDT is alleged to have overflowed was transferred by TVA to the Army in 1941 for inclusion in the Redstone Arsenal. TVA sought to persuade the responsible parties to correct any improper release of DDT before this suit was instituted, but TVA had no responsibility or liability for the discharges. The complaint seeks $1.2 billion in compensatory and punitive damages from the defendants and an injunction requiring TVA to remove all DDT contamination in specified areas. In TVA's opinion, the plaintiffs are unlikely to prevail on their claims against TVA.

TVA employees are specifically subject to the Federal Employees' Compensation Act with respect to on-the-job injuries. That statute has an exclusive remedy provision, which is often attempted to be avoided by the injured employee's bringing suit against a coworker for alledgedly negligently causing the injury. Since TVA has an administrative policy of defending its employees, at TVA's own cost, against suits brought against them for actions or omissions taken in the course of employment, and paying any resulting judgments, such suits can lead to double recovery against TVA, a result which the statute prohibits. A growing number of such suits have been brought in recent years. TVA has tried to limit their impact in a number of ways, including the waiver of such suits as condition for TVA's defense of work-related suits, and the aggressive defense of sued employees on various legal grounds. The courts have been reaching differing conclusions on the different issues raised, and no single definitive decision has been issued. In the majority of cases which have gone to final judgment, TVA has prevailed either on the law or the facts, and TVA anticipates that it will be successful in similar cases of this type in the future.

A directly served industrial customer filed suit in July 1982 to have its December 31, 1980 power contract declared void because of alleged misrepresentations by TVA and for unspecified amounts of damages, court costs, and attorney's fees. TVA counterclaimed for amounts due under the contract. After filing the suit, the customer filed a petition for reorganization under Chapter 11 of the bankruptcy laws. In May 1984 TVA accepted the offer to conclude all of the litigation upon plaintiff's agreement to recognize as a valid claim in the bankruptcy proceedings all amounts then due and owing under the power contract. All amounts due have now been paid in full, and the payment of the outstanding amount is reflected in this year's financial statements. The total payment to TVA as a result of this litigation exceeded $34 million, including interest.

Coopers &Lybrand

certified public accountants

To the Board of Directors of
Tennessee Valley Authority

We have examined the balance sheets (power program and all programs) of Tennessee Valley Authority as of September 30, 1985 and 1984, and the related statements of income and retained earnings (power program), net expense and accumulated net expense (nonpower programs), and changes in financial position (power program and all programs) for each of the three years in the period ended September 30, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances (Exhibits I through IV).

In our opinion, the financial statements referred to above present fairly the financial position of the power program and all programs of Tennessee Valley Authority as of September 30, 1985 and 1984, and the results of operations of the power program and nonpower programs and the changes in financial position of the power program and all programs for each of the three years in the period ended September 30, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedules A through F are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Coopers & Lybrand

Knoxville, Tennessee
November 27, 1985

SCHEDULES

TENNESSEE VALLEY AUTHORITY
COMPLETED PLANT
SEPTEMBER 30, 1985

SCHEDULE A
PAGE 1

	Assets	Accumulated depreciation and depletion
Power		
Multipurpose dams		
System allocation; page 21	$ 461,577,722	$ 216,450,454
Project allocations; page 23	89,436,795	16,862,427
Single-purpose dams; page 25	386,598,993	71,236,946
Steam production plants; page 25	3,998,042,984	1,517,492,271
Nuclear production plants; page 26	2,892,435,120	478,731,089
Other electric plant; page 26	2,880,194,613	891,744,607
Total power	10,708,286,227	3,192,517,794
Navigation		
Multipurpose dams		
System allocation; page 21	368,527,264	75,539,526
Project allocations; page 23	85,559,668	11,334,825
Total navigation	454,086,932	86,874,351
Flood control		
Multipurpose dams		
System allocation; page 21	184,059,795	48,905,405
Project allocations; page 23	68,180,051	3,577,569
Single-purpose flood control plant; page 27	2,065,257	271,188
Total flood control	254,305,103	52,754,162
Recreation and environmental education		
Multipurpose dams		
Project allocations; page 23	121,625,047	6,422,738
Land Between The Lakes; page 27	80,658,617	10,198,421
Other recreation plant; page 27	7,615,353	1,164,294
Total recreation and environmental education	209,899,017	17,785,453
Local economic development		
Multipurpose dams		
Project allocations; page 23	44,095,654	3,377,867
Chemical; page 27	150,048,241	51,250,845
General; page 27	58,354,137	29,299,868
Total	$11,879,575,311	$3,433,860,340
Total completed plant		
Multipurpose dams		
System allocation	$ 1,014,164,781	$ 340,895,385
Project allocations	408,897,215	41,575,426
	1,423,061,996	382,470,811
Single-purpose dams	386,598,993	71,236,946
Steam production plants	3,998,042,984	1,517,492,271
Nuclear production plants	2,892,435,120	478,731,089
Other electric plant	2,880,194,613	891,744,607
Other plant	299,241,605	92,184,616
Total	$11,879,575,311	$3,433,860,340

TENNESSEE VALLEY AUTHORITY
MULTIPURPOSE DAMS
SYSTEM ALLOCATION
SEPTEMBER 30, 1985

	Assets			
	Kentucky	Pickwick	Wilson	Wheeler
Multiple-use facilities				
Reservoir land and landrights	$ 14,639,375	$ 2,792,005	$ 684,166	$ 4,333,667
Highway, railroad, and other relocations and removals	27,434,261	2,618,596	136,355	2,113,711
Reservoir clearing	6,915,483	1,509,836	951,436	3,613,759
Dam structure, excluding power intake section	27,595,304	9,924,630	13,773,817	8,384,889
Roadways	276,832	313,799	2,116,796	901,410
Village and reservoir facilities	2,176,570	175,160	358,262	1,373,856
Other structures and improvements	1,616,232	3,165,134	1,312,330	633,197
Total	80,654,057	20,499,160	19,333,162	21,354,489
Deduct direct flood control investment, contra below	16,532,000	788,000	-	-
Add nonoverflow sections to replace other sections, contra below				
Power intake section	2,890,000	550,000	3,900,000	830,000
Lock section	210,000	380,000	125,000	200,000
Total multiple-use facilities, allocated below; note 2, page 8	67,222,057	20,641,160	23,358,162	22,384,489
Navigation facilities				
Lock and appurtenances	10,082,252	121,537,779	28,623,662	21,727,974
Channel improvements	-	-	-	-
Deduct nonoverflow section to replace lock section, contra above	210,000	380,000	125,000	200,000
Total before allocation of multiple-use facilities	9,872,252	121,157,779	28,498,662	21,527,974
Add allocation of total multiple-use facilities shown above; note 2, page 8				
Total navigation facilities after allocation				
Flood control facilities				
Reservoir land and landrights	-	-	-	-
Add direct flood control investment, contra above	16,532,000	788,000	-	-
Total before allocation of multiple-use facilities	16,532,000	788,000	-	-
Add allocation of total multiple-use facilities shown above; note 2, page 8				
Total flood control facilities after allocation				
Power facilities				
Powerhouse, including intake section	10,768,195	9,494,845	21,912,434	18,061,712
Turbines and generators	10,526,647	12,622,213	30,304,647	23,700,223
Accessory electric equipment	1,380,659	1,761,318	5,990,819	2,599,391
Other power plant equipment	1,019,031	510,200	2,317,637	684,848
Total	23,694,532	24,388,576	60,525,537	45,046,174
Deduct nonoverflow section to replace power intake section, contra above	2,890,000	550,000	3,900,000	830,000
Total before allocation of multiple-use facilities	20,804,532	23,838,576	56,625,537	44,216,174
Add allocation of total multiple-use facilities shown above; note 2, page 8				
Total power facilities after allocation				
Total	$114,430,841	$166,425,515	$108,482,361	$88,128,637
Accumulated depreciation	$ 35,373,768	$ 24,600,298	$ 53,136,929	$34,466,598

Guntersville	Chickamauga	Watts Bar	Fort Loudoun
$ 3,655,377	$ 4,429,149	$ 4,943,788	$ 3,951,857
3,867,304	2,704,136	4,977,205	5,111,630
2,436,597	971,651	953,785	560,341
5,146,272	8,242,856	4,035,158	8,816,480
366,029	165,767	70,280	259,733
1,182,916	392,846	221,562	123,907
902,447	1,054,284	1,080,239	848,807
17,556,942	17,960,689	16,282,017	19,672,755
-	1,107,000	1,952,000	786,000
780,000	1,470,000	614,000	1,610,000
440,000	790,000	565,000	940,000
18,776,942	19,113,689	15,509,017	21,436,755
17,747,559	5,298,610	3,161,200	5,709,247
-	-	-	-
440,000	790,000	565,000	940,000
17,307,559	4,508,610	2,596,200	4,769,247
-	-	-	-
-	1,107,000	1,952,000	786,000
-	1,107,000	1,952,000	786,000
5,673,319	6,312,115	4,989,333	6,245,061
7,776,929	7,889,591	8,020,986	6,856,292
855,373	1,486,044	1,781,303	1,356,791
319,912	590,097	826,866	582,555
14,625,533	16,277,847	15,618,488	15,040,699
780,000	1,470,000	614,000	1,610,000
13,845,533	14,807,847	15,004,488	13,430,699
$49,930,034	$39,537,146	$35,061,705	$40,422,701
$18,794,892	$18,040,653	$15,423,381	$17,364,829

TENNESSEE VALLEY AUTHORITY
MULTIPURPOSE DAMS
SYSTEM ALLOCATION
SEPTEMBER 30, 1985

	Norris	Hiwassee	Cherokee	Chatuge
Multiple-use facilities				
Reservoir land and landrights	$ 6,796,200	$ 1,678,482	$ 4,494,115	$ 953,908
Highway, railroad, and other relocations and removals	4,308,463	1,191,433	5,519,525	2,693,192
Reservoir clearing	1,561,458	394,601	575,359	194,329
Dam structure, excluding power intake section	11,502,007	9,391,491	13,205,027	3,088,682
Roadways	266,691	246,236	31,728	38,234
Village and reservoir facilities	120,222	160,267	172,880	2,499
Other structures and improvements	598,156	245,428	951,537	291,396
Total	25,153,197	13,307,938	24,950,171	7,262,240
Deduct direct flood control investment, contra below	5,506,000	1,356,000	3,467,000	537,000
Add nonoverflow sections to replace other sections, contra below				
Power intake section	-	-	-	-
Lock section	-	-	-	-
Total multiple-use facilities, allocated below; note 2, page 8	19,647,197	11,951,938	21,483,171	6,725,240
Navigation facilities				
Lock and appurtenances	-	-	-	-
Channel improvements	-	-	-	-
Deduct nonoverflow section to replace lock section, contra above	-	-	-	-
Total before allocation of multiple-use facilities	-	-	-	-
Add allocation of total multiple-use facilities shown above; note 2, page 8				
Total navigation facilities after allocation				
Flood control facilities				
Reservoir land and landrights	1,318,285	-	-	-
Add direct flood control investment, contra above	5,506,000	1,356,000	3,467,000	537,000
Total before allocation of multiple-use facilities	6,824,285	1,356,000	3,467,000	537,000
Add allocation of total multiple-use facilities shown above; note 2, page 8				
Total flood control facilities after allocation				
Power facilities				
Powerhouse, including intake section	2,304,628	2,574,032	3,207,819	511,136
Turbines and generators	2,122,440	5,325,207	6,512,598	1,046,310
Accessory electric equipment	3,021,190	780,462	1,952,414	188,325
Other power plant equipment	295,043	541,761	553,269	135,546
Total	7,743,301	9,221,462	12,226,100	1,881,317
Deduct nonoverflow section to replace power intake section, contra above	-	-	-	-
Total before allocation of multiple-use facilities	7,743,301	9,221,462	12,226,100	1,881,317
Add allocation of total multiple-use facilities shown above; note 2, page 8				
Total power facilities after allocation				
Total	$34,214,783	$22,529,400	$37,176,271	$9,143,557
Accumulated depreciation	$10,926,908	$11,235,300	$13,283,624	$2,741,388

Assets

Nottely	Fontana	South Holston	Watauga	Douglas	Boone	Channel improvements	Total system allocation dams	Accumulated depreciation
$ 413,407	$ 1,625,351	$ 2,424,289	$ 4,598,632	$ 6,786,680	$ 2,117,030	$ -	$ 71,317,478	$ -
1,344,854	9,017,018	3,745,948	6,369,316	8,107,311	2,724,631	-	93,984,889	-
232,108	1,033,435	892,865	385,808	574,899	575,423	-	24,333,173	-
3,205,912	45,779,373	17,528,564	11,396,184	17,057,691	7,868,542	-	225,942,879	102,757,763
197,851	606,244	211,319	341,593	82,469	24,164	-	6,517,175	3,486,106
2,822	77,402	58,795	206,121	143,901	86,121	-	7,036,109	3,670,353
112,908	3,334,155	1,007,203	926,542	1,037,185	389,375	-	19,506,555	9,787,275
5,509,862	61,472,978	25,868,983	24,224,196	33,790,136	13,785,286	-	448,638,258	119,701,497
623,000	7,623,000	4,950,000	3,045,000	7,057,000	110,000	-	55,439,000	13,334,868
-	-	-	-	-	1,160,000	-	13,804,000	6,683,166
-	-	-	-	-	-	-	3,650,000	1,693,874
4,886,862	53,849,978	20,918,983	21,179,196	26,733,136	14,835,286	-	$ 410,653,258	$114,743,669
-	-	-	-	-	-	-	$ 213,888,283	$ 38,063,169
-	-	-	-	-	-	47,412,601	47,412,601	8,189,440
-	-	-	-	-	-	-	3,650,000	1,693,874
-	-	-	-	-	-	47,412,601	257,650,884	44,558,735
							110,876,380	30,980,791
							368,527,264	75,539,526
-	-	-	-	-	-	-	1,318,285	-
623,000	7,623,000	4,950,000	3,045,000	7,057,000	110,000	-	55,439,000	13,334,868
623,000	7,623,000	4,950,000	3,045,000	7,057,000	110,000	-	56,757,285	13,334,868
							127,302,510	35,570,537
							184,059,795	48,905,405
605,925	5,684,649	2,793,344	4,933,907	4,774,671	4,742,968	-	115,590,093	54,214,222
1,279,750	6,997,739	2,003,551	2,583,300	6,388,799	5,132,215	-	147,089,437	95,094,765
196,883	1,285,145	447,771	857,854	2,163,728	1,167,936	-	29,273,406	18,204,206
131,247	607,493	264,972	424,436	553,518	595,987	-	10,954,418	7,428,087
2,213,805	14,575,026	5,509,638	8,799,497	13,880,716	11,639,106	-	302,907,354	174,941,280
-	-	-	-	-	1,160,000	-	13,804,000	6,683,167
2,213,805	14,575,026	5,509,638	8,799,497	13,880,716	10,479,106	-	289,103,354	168,258,113
							172,474,368	48,192,341
							461,577,722	216,450,454
$7,723,667	$76,048,004	$31,378,621	$33,023,693	$47,670,852	$25,424,392	$47,412,601	$1,014,164,781	
$2,901,479	$30,080,018	$ 9,847,946	$ 9,680,095	$15,860,127	$ 8,947,713	$ 8,189,439		$340,895,385

TENNESSEE VALLEY AUTHORITY
MULTIPURPOSE DAMS
PROJECT ALLOCATIONS
SEPTEMBER 30, 1985

	Melton Hill	Nickajack
Multiple-use facilities		
Reservoir land and landrights; note	$ 3,220,892	$ 3,274,631
Highway, railroad, and other relocations and removals	2,667,365	9,106,970
Reservoir clearing	904,168	736,362
Dam structure, excluding power intake section	3,304,667	9,998,809
Roadways	419,618	499,660
Village and reservoir facilities	202,607	391,028
Other structures and improvements	1,229,436	1,228,611
Total	11,948,753	25,236,071
Deduct direct power investment, contra below	2,138,725	-
Deduct direct flood control investment, contra below	-	-
Add nonoverflow sections to replace other sections, contra below		
Power intake section	1,120,000	700,000
Lock section	480,000	950,000
Add sluiceway to replace power intake and water conductor, contra below	-	-
Total multiple-use facilities, allocated below; note 2, page 8	$11,410,028	$26,886,071
Navigation facilities		
Lock and appurtenances	$ 9,458,833	$21,361,960
Channel improvements	-	-
Deduct nonoverflow section to replace lock section, contra above	480,000	950,000
Total before allocation of multiple-use facilities	8,978,833	20,411,960
Add allocation of total multiple-use facilities shown above; note 2, page 8	7,416,518	22,867,364
Total navigation facilities after allocation	16,395,351	43,279,324
Flood control facilities		
Reservoir land and landrights	-	-
Structures and improvements	-	-
Dam structures and waterways	-	-
Reservoir facilities	-	-
Channel improvements	-	-
Total	-	-
Add direct flood control investment, contra above	-	-
Total before allocation of multiple-use facilities	-	-
Add allocation of total multiple-use facilities shown above; note 2, page 8	-	402,684
Total flood control facilities after allocation	-	402,684
Local economic development facilities		
Water supply	-	-
Add allocation of total multiple-use facilities shown above; note 2, page 8	-	-
Less reimbursement by local agencies	-	-
Total local economic development facilities after allocation and reimbursements	-	-
Recreation facilities		
Land and landrights	-	-
Other recreation plant	-	-
Add allocation of total multiple-use facilities shown above; note 2, page 8	-	-
Total recreation facilities after allocation	-	-
Power facilities		
Land and landrights	-	-
Powerhouse, including intake section	6,275,274	11,978,693
Turbines and generators	6,715,327	13,008,739
Accessory electrical equipment	764,591	1,611,173
Other power plant equipment	567,491	781,571
Total	14,322,683	27,380,176
Add direct power investment, contra above	2,138,725	-
Deduct nonoverflow section to replace power intake section, contra above	1,120,000	700,000
Deduct sluiceway to replace power intake and water conductor, contra above	-	-
Total before allocation of multiple-use facilities	15,341,408	26,680,176
Add allocation of total multiple-use facilities shown above; note 2, page 8	3,993,510	3,616,023
Total power facilities after allocation	19,334,918	30,296,199
Total	$35,730,269	$73,978,207
Accumulated depreciation	$ 8,925,172	$15,230,416

Note:
Nickajack includes land and landrights in the amount of $1,298,981 acquired for retired Hales Bar project which is allocated on system basis.

Assets

Tellico	Tims Ford	Bear Creek	Duck River	Beech River	Channel improvements	Total project allocations dams	Accumulated depreciation
$ 25,125,148	$ 8,131,142	$13,026,219	$ 5,561,053	$2,089,256	$ -	$ 60,428,341	$ -
51,348,905	12,363,626	7,880,885	11,148,941	222,931	-	94,739,623	-
5,357,147	3,057,249	4,237,323	512,541	953,369	-	15,758,159	-
30,084,731	14,244,947	38,214,079	18,541,607	2,943,715	-	117,332,555	12,768,742
9,705,490	352,345	1,731,810	-	80,600	-	12,789,523	1,258,833
10,724,905	83,128	573,832	626,831	241,288	-	12,843,619	1,386,563
2,005,193	1,192,083	1,027,177	170,016	66,595	-	6,919,111	1,530,457
134,351,519	39,424,520	66,691,325	36,560,989	6,597,754	-	320,810,931	16,944,595
-	-	-	-	-	-	2,138,725	213,875
-	-	5,707,000	-	-	-	5,707,000	181,403
-	-	-	-	-	-	1,820,000	361,082
-	-	-	-	-	-	1,430,000	269,042
-	4,273,000	-	-	-	-	4,273,000	708,328
$134,351,519	$43,697,520	$60,984,325	$36,560,989	$6,597,754	$ -	$320,488,206	$17,887,769
$ -	$ -	$ -	$ -	$ -	$ -	$ 30,820,793	$ 6,933,216
-	-	-	-	-	1,701,719	1,701,719	522,413
-	-	-	-	-	-	1,430,000	269,042
-	-	-	-	-	1,701,719	31,092,512	7,186,587
24,183,274	-	-	-	-	-	54,467,156	4,148,238
24,183,274	-	-	-	-	1,701,719	85,559,668	11,334,825
-	-	-	-	386,655	-	386,655	-
-	-	-	-	10,021	-	10,021	4,976
-	-	-	-	114,479	-	114,479	23,382
-	-	-	-	1,839	-	1,839	372
-	-	-	-	2,386,478	-	2,386,478	482,181
-	-	-	-	2,899,472	-	2,899,472	510,911
-	-	5,707,000	-	-	-	5,707,000	181,402
-	-	5,707,000	-	2,899,472	-	8,606,472	692,313
26,870,303	6,991,604	20,734,670	2,924,879	1,649,439	-	59,573,579	2,885,256
26,870,303	6,991,604	26,441,670	2,924,879	4,548,911	-	68,180,051	3,577,569
-	-	124,660	-	19,445	-	144,105	16,114
6,717,576	9,613,454	8,537,806	23,033,423	4,948,315	-	52,850,574	3,361,753
-	3,000,000	-	5,700,000	199,025	-	8,899,025	-
6,717,576	6,613,454	8,662,466	17,333,423	4,768,735	-	44,095,654	3,377,867
-	12,175	1,031,095	-	-	-	1,043,270	-
2,880,810	282,762	1,138,133	1,128,378	-	-	5,430,083	717,899
48,366,547	24,470,611	31,711,849	10,602,687	-	-	115,151,694	5,704,839
51,247,357	24,765,548	33,881,077	11,731,065	-	-	121,625,047	6,422,738
-	971,562	-	-	-	-	971,562	-
-	7,233,822	-	-	-	-	25,487,789	5,391,535
-	3,501,721	-	-	-	-	23,225,787	8,701,077
-	794,183	-	-	-	-	3,169,947	1,092,433
-	741,720	-	-	-	-	2,090,782	745,233
-	13,243,008	-	-	-	-	54,945,867	15,930,278
-	-	-	-	-	-	2,138,725	213,875
-	-	-	-	-	-	1,820,000	361,082
-	4,273,000	-	-	-	-	4,273,000	708,327
-	8,970,008	-	-	-	-	50,991,592	15,074,744
28,213,819	2,621,851	-	-	-	-	38,445,203	1,787,683
28,213,819	11,591,859	-	-	-	-	89,436,795	16,862,427
$137,232,329	$49,962,465	$68,985,213	$31,989,367	$9,317,646	$1,701,719	$408,897,215	
$ 3,654,894	$ 5,269,134	$ 4,264,317	$ 2,485,075	$1,224,005	$ 522,413		$41,575,426

TENNESSEE VALLEY AUTHORITY
SINGLE-PURPOSE POWER DAMS AND STEAM PRODUCTION PLANTS
SEPTEMBER 30, 1985

Single-purpose power dams	Raccoon Mountain	Apalachia	Fort Patrick Henry	Great Falls	Ocoee No. 3
Assets					
Reservoir land and landrights, including relocations	$ 2,457,772	$ 775,306	$ 1,207,743	$ 702,114	$ 237,225
Reservoir clearing	1,463,481	72,151	126,855	216,057	28,702
Structures and improvements	70,037,050	1,316,070	1,892,289	371,416	674,044
Dams and waterways	121,151,756	17,151,526	4,565,200	2,386,338	5,615,903
Turbines and generators	63,484,702	2,693,195	3,044,693	740,446	1,022,305
Accessory electric equipment	18,371,589	651,534	675,556	444,549	309,711
Other power plant equipment	5,273,832	296,957	274,290	139,485	189,776
Roads, railroads, and bridges	2,096,216	371,809	20,462	22,431	377,029
Village and reservoir facilities	2,622,770	817	36,603	5,877,009	-
Total single-purpose power dams	$286,959,168	$ 23,329,365	$ 11,843,691	$ 10,899,845	$ 8,454,695
Accumulated depreciation	$ 37,214,193	$ 11,284,522	$ 5,245,295	$ 4,726,777	$ 4,335,288

Steam production plants	Cumberland	Paradise	Widows Creek	Shawnee	Kingston
Assets					
Land and landrights	$ 1,829,568	$ 2,024,762	$ 195,354	$ 504,507	$ 2,330,813
Structures and improvements	92,603,359	84,357,085	45,671,530	51,920,026	39,404,745
Boiler plant equipment	442,569,571	590,491,352	266,915,378	187,193,289	173,810,212
Turbogenerators	69,301,031	109,348,910	76,641,363	79,993,947	70,459,652
Accessory electric equipment	48,932,814	37,588,891	30,623,100	19,687,450	14,991,873
Other power plant equipment	10,422,738	12,377,605	9,118,818	7,548,380	5,920,154
Total steam production plants	$665,659,081	$836,188,605	$429,165,543	$346,847,599	$306,917,449
Accumulated depreciation	$157,841,264	$173,656,617	$183,089,875	$185,410,883	$167,560,509

Ocoee No. 2	Blue Ridge	Ocoee No. 1	Wilbur	Total
$ 20,253	$ 877,086	$ 230,409	$ 33,717	$ 6,541,625
-	125,636	29,685	2,610	2,065,177
333,499	231,840	243,337	401,997	75,501,542
26,262,213	3,874,614	7,991,181	1,008,485	190,007,216
444,546	539,365	330,295	723,571	73,023,118
161,862	262,914	200,734	183,433	21,261,882
189,279	61,165	136,742	84,437	6,645,963
13,387	46,894	6,550	1,912	2,956,690
-	40,802	11,162	6,617	8,595,780
$ 27,425,039	$ 6,060,316	$ 9,180,095	$ 2,446,779	$ 386,598,993
$ 1,432,331	$ 2,830,516	$ 2,743,261	$ 1,424,763	$ 71,236,946

Johnsonville	Colbert	Gallatin	Bull Run	John Sevier	Watts Bar	Thomas H. Allen	Total
$ 108,467	$ 279,029	$ 690,082	$ 2,082,768	$ 1,491,572	$ 11,997	$ 142,024	$ 11,690,943
43,065,668	34,617,133	30,645,167	29,686,755	23,377,558	4,768,135	30,610,760	510,727,921
185,492,562	174,210,088	137,221,853	143,157,202	68,896,017	10,528,177	72,982,435	2,453,468,136
57,052,675	75,244,142	49,245,400	29,732,795	33,372,608	6,289,636	53,023,175	709,705,334
23,353,798	18,756,680	12,164,259	12,906,580	8,525,333	1,805,202	7,032,203	236,368,183
5,476,515	5,036,175	6,294,025	5,044,808	4,354,011	813,562	3,675,676	76,082,467
$314,549,685	$308,143,247	$236,260,786	$222,610,908	$140,017,099	$24,216,709	$167,466,273	$3,998,042,984
$132,866,575	$115,946,143	$ 91,864,181	$ 77,695,678	$ 76,887,674	$23,114,699	$131,558,173	$1,517,492,271

	Browns Ferry	Sequoyah	Total
Nuclear production plants			
Assets			
Land and landrights	$ 1,222,866	$ 3,184,031	$ 4,406,897
Structures and improvements	242,165,827	443,963,293	686,129,120
Reactor plant equipment	466,120,550	746,056,682	1,212,177,232
Turbogenerators	264,510,690	287,104,757	551,615,447
Accessory electric equipment	135,619,531	211,234,836	346,854,367
Other power plant equipment	34,118,954	57,133,103	91,252,057
Total nuclear production plants	$1,143,758,418	$1,748,676,702	$2,892,435,120
Accumulated depreciation	$ 267,358,897	$ 211,372,192	$ 478,731,089

	Assets	Accumulated depreciation and depletion
Other electric plant		
Other production plant		
Gallatin gas turbines	$ 30,433,790	
Thomas H. Allen gas turbines	52,746,046	
Colbert gas turbines	43,603,388	
Johnsonville gas turbines	86,533,792	
	213,317,016	$ 91,434,466
System control and training center	49,160,242	10,188,032
Total other production plant	262,477,258	101,622,498
Transmission plant, including substations serving wholesale and industrial customers		
Land and landrights	88,611,588	
Structures and improvements	170,679,978	
Station equipment	756,757,273	
Towers and fixtures	330,736,080	
Poles and fixtures	84,800,575	
Overhead conductors and devices	403,019,711	
Roads and trails	240,473	
Total transmission plant	1,834,845,678	572,196,726
General plant		
Communication equipment	82,113,773	27,618,958
Coal land and landrights and mining equipment	209,817,477	3,321,057
Office and transportation equipment	149,665,357	42,011,492
Other, including land and landrights of $1,143,891	99,961,965	38,573,102
Total general plant	541,558,572	111,524,609
Plant leased to others, including land and landrights of $11,946,214	207,945,819	96,681,729
Plant held for future use		
Coal land and landrights	159,219	
Other, including land and landrights of $23,807,859	28,866,633	
Total plant held for future use	29,025,852	6,629,996
Other physical property, including land and landrights of $1,241,180	4,341,434	3,089,049
Total other electric plant	$2,880,194,613	$891,744,607

TENNESSEE VALLEY AUTHORITY
OTHER PLANT
SEPTEMBER 30, 1985

SCHEDULE A
PAGE 6

	Assets	Accumulated depreciation and depletion
Single-purpose flood control plant, including land of $726,828	$ 2,065,257	$ 271,188
Recreation and environmental education plant		
Land Between The Lakes plant, including land of $33,888,958	80,658,617	10,198,421
Other recreation plant, including land of $656,929	7,615,353	1,164,294
Total recreation and environmental education plant	88,273,970	11,362,715
Chemical plant		
Land		
Phosphate land and mineral rights	819,772	
Other land and landrights	2,120	
Total land	821,892	105,711
Buildings and equipment		
Manufacturing plant and equipment		
Nitrogen facilities	62,023,168	
Ammonia from coal facilities	50,941,840	
	112,965,008	33,207,367
General service facilities		
Utility systems	22,736,652	
Other general facilities	13,524,689	
	36,261,341	17,937,767
Total buildings and equipment	149,226,349	51,145,134
Total chemical plant	150,048,241	51,250,845
General plant		
Land and landrights	591,715	
Land improvements	2,240,126	
Structures	24,837,023	
General utility systems	1,758,233	
Data processing equipment	506,152	
Engineering equipment	941,222	
Photographic and reproduction equipment	1,864,951	
Medical equipment	1,879,582	
Office furniture and equipment	2,545,318	
Transportation equipment	12,318,929	
Alterations to leased plant	1,193,216	
Environmental quality equipment	1,620,334	
Miscellaneous equipment	6,557,336	
Total general plant	58,854,137	29,299,868
Total other plant	$299,241,605	$92,184,616

TENNESSEE VALLEY AUTHORITY

SCHEDULE B

CONSTRUCTION AND INVESTIGATIONS IN PROGRESS, NUCLEAR FUEL, AND OTHER DEFERRED CHARGES

SEPTEMBER 30, 1985

	Power program	All programs
CONSTRUCTION IN PROGRESS		
Construction in progress		
Generating facilities		
Watts Bar Nuclear Plant	$3,440,183,380	$3,440,183,380
Bellefonte Nuclear Plant	3,401,082,485	3,401,082,485
Total generating facilities	6,841,265,865	6,841,265,865
Transmission lines, substations, and other additions to power facilities	751,900,440	751,900,440
Pickwick new lock		298,700
Other navigation facilities		564,928
Multipurpose facilities		
Columbia Dam and Reservoir	-	80,187,807
Other	3,225,136	7,819,894
Total multipurpose facilities	3,225,136	88,007,701
Chemical plant		7,396,952
Recreation and environmental education facilities		
Land Between The Lakes		411,471
Other recreation facilities		1,358,954
Total recreation and environmental education facilities		1,770,425
General plant		
Coal gasification project	-	113,268,218
Ammonia from coal project	-	926,813
General construction equipment and materials	-	2,043,251
Other additions to general plant	20,477,788	26,663,453
Total general plant	20,477,788	142,901,735
Investigations for future power facilities	115,606	115,606
Total construction in progress	$7,616,984,835	$7,834,222,352
NUCLEAR FUEL		
Nuclear fuel in process	$ 10,834,803	$ 10,834,803
Nuclear fuel in stock	7,671,784	7,671,784
Nuclear fuel in reactor	363,243,351	363,243,351
Spent nuclear fuel in cooling	289,415,560	289,415,560
	671,165,498	671,165,498
Less accumulated amortization	652,658,911	652,658,911
Nuclear fuel, net	$ 18,506,587	$ 18,506,587
OTHER DEFERRED CHARGES		
Energy conservation costs	$ 76,403,045	$ 76,403,045
Recoverable operating costs and other deferred charges	15,793,977	15,793,977
Mine and mill development costs		
Coal mine development and leases	88,003,808	88,003,808
Uranium mine and mill development and preoperations	71,944,350	71,944,350
Total mine and mill development costs	159,948,158	159,948,158
Total other deferred charges	$ 252,145,180	$ 252,145,180

TENNESSEE VALLEY AUTHORITY
DETAILS OF POWER EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1985

SCHEDULE C
PAGE 1

SUMMARY	Total	Provision for depreciation	Total before depreciation (exhibit II)	Operation			
				Fuel	Other	Maintenance	Other
Production							
Multipurpose dams							
Direct; page 30	$ 21,594,945	$ 5,846,480	$ 15,748,465	$ -	$ 8,861,679	$ 6,886,786	$ -
Multiple-use; schedule E	8,565,705	1,501,232	7,064,473	-	5,452,149	1,612,324	-
Single-purpose dams and pumped storage; page 32	13,952,259	7,277,631	6,674,628	-	4,005,982	2,668,646	-
Cumberland Basin projects; note a	15,326,588	-	15,326,588	-	-	-	15,326,588
Steam plants; page 34	1,603,666,035	113,658,881	1,490,007,154	1,271,566,643	86,783,705	131,656,806	-
Nuclear plants; page 36	433,148,437	91,180,029	341,968,408	153,076,104	134,558,347	54,333,957	-
Gas turbine plants; page 36	12,914,416	8,526,581	4,387,835	2,505,003	157,350	1,725,482	-
Total generation	2,109,168,385	227,990,834	1,881,177,551	1,427,147,750	239,819,212	198,884,001	15,326,588
Purchased power	17,039,919	-	17,039,919	-	-	-	17,039,919
Interchange power received	70,263,755	-	70,263,755	-	-	-	70,263,755
Interchange power delivered	(14,728,492)	-	(14,728,492)	-	-	-	(14,728,492)
Power purchased and interchanged, net	72,575,182	-	72,575,182	-	-	-	72,575,182
System control and load dispatching	14,859,453	1,415,344	13,444,109	-	-	-	13,444,109
Other	16,901,377	-	16,901,377	-	-	-	16,901,377
Total production	2,213,504,397	229,406,178	1,984,098,219	1,427,147,750	239,819,212	198,884,001	118,247,256
Transmission; page 36	88,458,611	45,319,712	43,138,899	-	24,255,153	18,883,746	-
Customer accounts; page 37	(11,241,722)	-	(11,241,722)	-	(11,241,722)	-	-
Power consumer services; page 37	23,183,577	-	23,183,577	-	23,183,577	-	-
Demonstration of power use; page 37	19,353,351	-	19,353,351	-	19,353,351	-	-
Research, development, and demonstrations; page 37	52,105,649	-	52,105,649	-	52,105,649	-	-
Payments in lieu of taxes; note b	188,247,962	-	188,247,962	-	-	-	188,247,962
Administrative and general; page 37							
Direct	228,082,634	12,839,898	215,242,736	-	215,222,469	20,267	-
Multiple-use	117,005	-	117,005	-	117,005	-	-
Total operating expense	$2,801,811,464	$287,565,788	$2,514,245,676	$1,427,147,750	$562,814,694	$217,788,014	$306,495,218

SYSTEM STATISTICS	kWh generated less station use (thousands)	Production expense including depreciation		Installed capacity at September 30, 1985 (kilowatts)	Ratio of average gross generation to installed capacity (percent)
		Total	Per kWh (mills)		
Generation					
Multipurpose dams					
Direct; page 30	9,629,238	$ 21,594,945	2.243	3,075,690	36.14
Multiple-use; schedule E	-	8,565,705	.890	-	
Total multipurpose dams	9,629,238	30,160,650	3.132	3,075,690	36.14
Single-purpose dams; page 32	892,297	5,117,679	5.735	249,160	41.05
Pumped storage--Raccoon Mountain; page 33	(385,358)	8,834,580	6.226	1,530,000	10.67
Cumberland Basin projects; note a	1,984,879	15,326,588	7.722	853,000	26.86
TAPOCO; note c	1,093,274			326,500	38.33
Total hydro generation	13,214,330			6,034,350	28.69
Steam plants; page 34	73,760,452	1,603,666,035	21.742	17,647,360	50.86
Nuclear plants; page 36	17,703,559	433,148,437	24.467	5,897,160	35.83
Gas turbine plants; page 36	26,500	12,914,416	487.336	2,510,000	.18
Total generation, note d	104,704,841			32,088,870	39.97
Purchased power	482,377	17,039,919			
Interchange power received	17,520,975	70,263,755			
System control and load dispatching		14,859,453			
Wheeling received; note e	1,980,057				
Other		16,901,377			
Total system input	124,688,250				
Delivered under Alcoa Agreement	(1,620,600)				
Interchange power delivered	(14,718,654)	(14,728,492)			
Wheeling delivered	(1,922,514)				
Net energy supply	106,426,482	2,213,504,397	20.798		
Shop and internal uses	(13,232)				
Transmission and transformation losses	(2,869,355)				
Total kWh sales and production expense	103,543,895	$2,213,504,397	21.377		

Notes:

a. TVA purchases substantially all of the output of eight hydro plants in the Cumberland River Basin. In accordance with memorandums of understanding with the Corps of Engineers, Department of the Army, the Cumberland Basin projects are operated for optimum production of power in conjunction with TVA's power system, subject to flood control, navigation, and other operating requirements of the Army.

b. Payments made to states and counties in which power operations are carried out. The basic amount is 5 percent of gross revenues from the sale of power to other than Federal agencies during the preceding year, with the provision of minimum payments under certain circumstances.

c. Operation of twelve hydro plants of the Aluminum Company of America is coordinated with the operation of TVA's power plants under an arrangement whereby the storage and release of water from the Alcoa plants are carried out by the company under TVA's direction. Under contract effective January 1, 1983, only four TAPOCO plants provide generation with eight Nantahala plants excluded.

d. Installed capacity increased 8,900 kilowatts during fiscal year 1985. Additions were from modification of three generators.

e. TVA transmits (wheels) power and energy through its system for transactions from Big River RECC, Southeastern Power Authority, and Southern Illinois Power Cooperative to Mississippi Power and Light and from Southeastern Power Authority to Big River RECC, East Kentucky Power Cooperative and Southern Illinois Power Cooperative. Wheeled losses for fiscal year 1985 totaled 57,543,000 kilowatthours.

TENNESSEE VALLEY AUTHORITY
DETAILS OF POWER EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1985

	Total	Kentucky	Pickwick	Wilson	Wheeler	Guntersville	Nickajack	Chickamauga
Direct hydraulic production - multipurpose dams								
Operation								
Supervision and engineering	$ 1,899,906	$ 115,794	$ 126,959	$ 327,224	$ 203,431	$ 129,609	$ 61,927	$ 76,996
Hydraulic	26,080	-	11	1,667	4,067	19,837	-	-
Electric	4,180,849	242,154	271,930	605,435	378,439	263,924	141,763	239,835
Miscellaneous	2,754,844	166,877	168,538	472,921	203,550	148,545	79,589	178,064
Total operation	8,861,679	524,825	567,438	1,407,247	789,487	561,915	283,279	494,895
Maintenance								
Supervision and engineering	578,601	46,766	36,155	144,047	46,740	45,518	22,479	31,168
Structures	504,793	40,731	27,224	86,629	33,509	10,581	4,101	15,844
Reservoirs, dams, and waterways	606,364	5,904	9,925	73,910	23,286	18,572	57,669	19,061
Electric plant	4,265,505	247,488	78,769	747,429	348,077	109,247	55,131	300,391
Miscellaneous plant	931,523	40,904	57,984	160,711	71,743	26,069	48,584	37,634
Total maintenance	6,886,786	381,793	210,057	1,212,726	523,355	209,987	187,964	404,098
Provision for depreciation	5,846,480	355,118	414,338	1,000,497	751,493	245,447	445,417	267,782
Total	$21,594,945	$1,261,736	$1,191,833	$3,620,470	$2,064,335	$1,017,349	$916,660	$1,166,775
kWh generated less station use (thousands)	9,629,238	987,478	1,025,604	1,847,606	921,185	581,173	490,904	557,661
Total production expense including depreciation per kWh (mills)	2.243	1.278	1.162	1.960	2.241	1.751	1.867	2.092
Installed capacity at September 30, 1985 (kilowatts); note d, page 29	3,075,690	175,000	224,080	629,840	375,300	115,200	103,950	120,000
Ratio of average gross generation to installed capacity (percent)	36.14	64.58	52.42	33.64	28.24	57.84	54.04	53.37

Watts Bar	Fort Loudoun	Norris	Hiwassee	Cherokee	Chatuge	Nottely	Fontana	South Holston	Watauga	Douglas	Boone	Melton Hill	Tims Ford
$ 137,712	$ 74,511	$ 62,414	$ 93,535	$ 78,627	$ 9,628	$ 11,435	$ 105,674	$ 24,120	$ 50,413	$ 72,553	$ 56,489	$ 35,821	$ 45,034
179	-	-	-	319	-	-	-	-	-	-	-	-	-
268,165	208,071	198,095	100,487	167,563	27,918	31,430	154,205	94,610	202,005	220,373	181,755	98,034	84,658
154,317	204,594	72,843	107,307	232,762	21,605	17,240	99,512	28,574	108,795	145,462	45,570	63,579	34,600
560,373	487,176	333,352	301,329	479,271	59,151	60,105	359,391	147,304	361,213	438,388	283,814	197,434	164,292
26,823	25,033	14,772	12,976	16,671	4,061	5,052	20,454	15,761	13,853	17,075	15,994	11,881	5,322
51,802	16,785	7,621	14,733	22,719	2,664	1,981	81,034	20,259	7,027	45,564	8,958	808	4,219
45,221	14,683	12,727	7,082	86,397	8,637	6,509	22,952	16,277	12,748	155,369	4,280	3,225	1,930
1,316,143	137,174	67,746	66,136	105,954	6,529	33,648	136,155	296,088	20,848	122,509	23,634	27,660	18,749
156,515	31,775	36,216	48,507	50,782	3,298	4,150	33,534	21,525	24,750	34,689	17,242	8,833	16,078
1,596,504	225,450	139,082	149,434	282,523	25,189	51,340	294,129	369,910	79,226	375,206	70,108	52,407	46,298
277,448	244,924	109,931	169,481	207,188	33,880	40,020	257,987	90,834	141,237	213,340	185,528	238,333	156,257
$2,434,325	$957,550	$582,365	$620,244	$968,982	$118,220	$151,465	$911,507	$608,048	$581,676	$1,026,934	$539,450	$488,174	$366,847
650,170	564,195	291,571	170,587	201,452	21,520	23,385	652,623	85,164	78,623	224,738	110,587	104,575	38,437
3.744	1.697	1.997	3.636	4.810	5.493	6.477	1.396	7.140	7.398	4.569	4.878	4.668	9.544
166,500	139,140	100,800	117,100	135,180	10,000	15,000	238,500	38,500	57,600	120,600	76,400	72,000	45,000
44.78	46.45	33.18	22.68	17.25	24.78	18.01	31.33	27.52	15.77	21.52	16.79	16.74	9.92

TENNESSEE VALLEY AUTHORITY
DETAILS OF POWER EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1985

	Total	Apalachia	Fort Patrick Henry
Hydraulic production - single-purpose dams and pumped storage			
Operation			
Supervision and engineering	$ 272,546	$ 62,093	$ 24,040
Hydraulic	27,123	-	-
Electric	1,096,360	104,795	81,154
Miscellaneous	570,688	43,942	177,801
Total operation	1,966,717	210,830	282,995
Maintenance			
Supervision and engineering	97,054	4,518	11,092
Structures	63,442	13,859	6,840
Reservoirs, dams, and waterways	810,751	16,002	158,931
Electric plant	399,108	154,503	30,463
Miscellaneous plant	178,608	12,267	12,361
Total maintenance	1,548,963	201,149	219,687
Provision for depreciation	1,601,999	284,436	160,700
Total	$5,117,679	$696,415	$663,382
kWh generated less station use (thousands)	892,297	368,408	68,716
Total production expense including depreciation per kWh (mills)	5.735	1.890	9.654
Installed capacity at September 30, 1985 (kilowatts)	249,160	82,800	36,000
Ratio of average gross generation to installed capacity (percent)	41.05	50.88	22.06

a. Excludes kWh used in pumping.

Single-Purpose Dams						
Great Falls	Ocoee No. 3	Ocoee No. 2	Blue Ridge	Ocoee No. 1	Wilbur	Raccoon Mountain
$ 60,876	$ 29,104	$ 22,736	$ 14,450	$ 47,547	$ 11,700	$ 645,844
8,975	748	14,531	-	1,302	1,567	-
316,555	58,949	139,269	39,135	320,269	36,234	528,110
44,515	38,376	81,582	37,004	126,326	21,142	865,311
430,921	127,177	258,118	90,589	495,444	70,643	2,039,265
16,318	11,396	21,461	7,088	14,535	10,646	99,526
10,255	3,216	15,145	3,978	7,337	2,812	122,341
82,592	18,139	167,857	354,297	8,348	4,585	95,351
55,749	17,271	14,332	3,314	100,415	23,061	525,541
19,356	51,024	56,140	5,583	15,965	5,912	276,924
184,270	101,046	274,935	374,260	146,600	47,016	1,119,683
180,736	108,602	541,901	77,934	207,873	39,817	5,675,632
$795,927	$336,825	$1,074,954	$542,783	$849,917	$157,476	$8,834,580
148,820	136,654	83,659	25,748	46,594	13,698	(385,358)
5.348	2.465	12.849	21.081	18.241	11.496	6.176[a]
31,860	28,800	21,000	20,000	18,000	10,700	1,530,000
53.51	54.53	45.62	14.89	29.76	14.90	10.67

TENNESSEE VALLEY AUTHORITY
DETAILS OF POWER EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1985

	Total	Cumberland	Paradise	Widows Creek	Shawnee
Steam production					
Operation					
Supervision and engineering	$ 20,493,621	$ 2,721,662	$ 2,812,667	$ 2,177,263	$ 1,877,245
Fuel	1,271,566,643	217,004,730	119,741,320	106,951,310	116,718,716
Steam	30,576,600	2,457,344	6,499,499	4,836,273	2,856,808
Electric	10,614,135	764,018	980,676	1,122,122	1,222,670
Miscellaneous	23,374,349	3,183,884	3,465,870	2,658,616	1,750,679
Rent	1,725,000	-	-	-	-
Total operation	1,358,350,348	226,131,638	133,500,032	117,745,584	124,426,118
Maintenance					
Supervision and engineering	6,503,567	971,358	1,054,948	509,506	528,734
Structures	5,977,955	1,000,814	853,971	661,218	426,633
Boiler plant	83,454,451	10,588,797	21,144,122	7,963,368	4,882,034
Electric plant	27,045,770	3,342,300	5,085,910	1,878,203	2,840,321
Miscellaneous plant	8,675,063	1,246,156	1,800,353	788,410	638,713
Total maintenance	131,656,806	17,149,425	29,939,304	11,800,705	9,316,435
Provision for depreciation	113,658,881	19,017,754	21,504,310	13,567,390	9,928,468
Total	$1,603,666,035	$262,298,817	$184,943,646	$143,113,679	$143,671,021
kWh generated less station use (thousands)	73,760,452	12,585,250	7,946,694	5,551,090	5,023,854
Total production expense including depreciation per kWh (mills)	21.742	20.842	23.273	25.781	28.598
Installed capacity at September 30, 1985 (kilowatts)	17,647,360	2,600,000	2,558,200	1,968,760	1,750,000
Ratio of average gross generation to installed capacity (percent)	50.86	57.96	38.34	34.37	35.61

Kingston	Johnsonville	Colbert	Gallatin	Bull Run	John Sevier	Watts Bar	Thomas H. Allen
$ 1,936,589	$ 1,824,924	$ 1,558,603	$ 1,566,983	$ 1,323,634	$ 1,331,464	$ 18,573	$ 1,344,014
148,044,522	91,219,369	142,794,434	99,925,964	103,956,698	74,115,377	(13,624)	51,107,827
2,725,653	2,731,519	2,610,526	1,840,509	1,220,726	1,506,502	760	1,290,481
1,273,135	1,300,893	1,191,428	884,309	655,933	710,289	12,523	496,139
1,960,057	1,795,843	1,815,755	1,964,382	1,823,503	1,417,791	74,206	1,463,763
-	-	-	-	-	-	-	1,725,000
155,939,956	98,872,548	149,970,746	106,182,147	108,980,494	79,081,423	92,438	57,427,224
476,872	510,932	436,971	659,905	517,530	484,314	11,742	340,755
576,720	383,375	682,180	262,061	480,301	338,863	29,874	281,945
7,740,892	4,667,261	6,905,849	6,082,433	5,740,747	3,450,433	10,547	4,277,968
4,747,623	1,428,261	1,167,662	1,321,887	1,511,047	2,181,680	29,856	1,511,020
703,861	548,948	707,216	675,702	581,295	487,292	8,244	488,873
14,245,968	7,538,777	9,899,878	9,001,988	8,830,920	6,942,582	90,263	6,900,561
8,716,049	10,367,521	9,180,588	6,674,387	6,254,894	3,820,007	691,786	3,935,727
$178,901,973	$116,778,846	$169,051,212	$121,858,522	$124,066,308	$89,844,012	$874,487	$68,263,512
8,866,185	5,437,583	7,341,198	6,948,174	5,292,978	5,260,647	(1,665)	3,508,464
20.178	21.476	23.028	17.538	23.440	17.079		19.457
1,700,000	1,485,200	1,350,000	1,255,200	950,000	800,000	240,000	990,000
63.83	45.38	65.81	67.22	65.93	79.32		44.08

TENNESSEE VALLEY AUTHORITY
DETAILS OF POWER EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1985

	Allen	Colbert	Gallatin	Johnsonville	Total
Gas turbine production					
Fuel expense	$ 388,403	$ 809,465	$ 291,728	$1,015,407	$ 2,505,003
Other operating expense	77,015	40,595	7,246	32,494	157,350
	465,418	850,060	298,974	1,047,901	2,662,353
Maintenance	732,489	201,257	330,873	460,863	1,725,482
Provision for depreciation	2,109,842	1,738,036	1,217,351	3,461,352	8,526,581
Total	$3,307,749	$2,789,353	$1,847,198	$4,970,116	$12,914,416
kWh generated less station use (thousands)	4,377	6,343	3,036	12,744	26,500
Total production expense including depreciation per kWh (mills)	755.711	439.753	608.432	389.997	487.336
Installed capacity at September 30, 1985 (kilowatts)	620,800	476,000	325,200	1,088,000	2,510,000
Ratio of average gross generation to installed capacity (percent)	.13	.21	.19	.20	.18

	Browns Ferry	Sequoyah	Total
Nuclear production			
Operation			
Supervision and engineering	$ 50,389,541	$ 31,244,072	$ 81,633,613
Fuel	51,137,643	101,938,462	153,076,105
Coolants and water	713,707	2,266,453	2,980,160
Steam	12,394,567	3,736,715	16,131,282
Electric	4,047,726	823,888	4,871,614
Miscellaneous	13,308,921	15,632,756	28,941,677
Total operation	131,992,105	155,642,346	287,634,451
Maintenance			
Supervision and engineering	(10,163,911)	10,257,306	93,395
Structures	6,433,462	3,064,969	9,498,431
Reactor plant	12,507,172	16,606,846	29,114,018
Electric plant	5,122,172	3,454,075	8,576,247
Miscellaneous plant	5,159,722	1,892,144	7,051,866
Total maintenance	19,058,617	35,275,340	54,333,957
Provision for depreciation	37,029,503	54,150,526	91,180,029
Total	$188,080,225	$245,068,212	$433,148,437
kWh generated less station use (thousands)	5,543,822	12,159,737	17,703,559
Total production expense including depreciation per kWh (mills)	33.926	20.154	24.467
Installed capacity at September 30, 1985 (kilowatts)	3,456,000	2,441,160	5,897,160
Ratio of average gross generation to installed capacity (percent)	19.31	59.21	35.83

	Total
Transmission	
Operation	
Supervision and engineering	$ 8,860,315
Load dispatching	2,457,644
Stations	4,286,303
Overhead lines	1,085,425
Transmission of electricity by others	54,747
Miscellaneous	3,888,305
Rents	3,622,414
Total operation	24,255,153
Maintenance	
Supervision and engineering	933,276
Structures	546,783
Station equipment	9,184,372
Overhead lines	7,364,905
Miscellaneous plant	854,410
Total maintenance	18,883,746
Total	$ 43,138,899

Customer accounts		
Meter reading		$ 273,927
Customer records and collections		488,341
Uncollectible accounts		(12,003,990)
Total		$(11,241,722)
Power consumer services		
Amortization - deferred conservation costs		$ 19,837,674
Cycle and save participation payments		1,685,243
Supervision and general		397,360
Loan loss expense		1,263,300
Total		$ 23,183,577
Demonstration of power use		
Amortization - deferred conservation costs		$ 9,393,036
Supervision and general		2,633,742
Commercial and industrial		1,613,202
Residential conservation/demonstration		1,935,273
Engineering and computer services		2,127,770
Solar and energy demonstrations		1,108,239
Industrial marketing		1,164,229
		19,975,491
Less reimbursements from power distributors for technical advisory services		622,140
Total		$ 19,353,351
Research, development, and demonstrations		
Transmission		$ 3,317,644
Demonstration of power use		2,969,595
Administrative and general		7,779,830
Other		38,038,580
Total		$ 52,105,649
Administrative and general		
Direct		
Operation		
Salaries	$15,068,823	
Office supplies and expenses	3,551,050	$ 18,619,873
Less transfers to construction and other accounts		3,180,808
		15,439,065
Outside services employed		416,787
Property insurance		9,984,185
Injuries and damages		1,099,456
Employee pensions, benefits, and FICA		94,932,321
Miscellaneous		46,219,190
Rents		9,766,309
Electricity used by shops and laboratories		(569,932)
Total operation		177,287,381
Maintenance		
General property		20,267
Total direct		177,307,648
Allocation from nonpower divisions		
TVA general offices		
Direct; schedule F	37,935,088	
Multiple-use; schedule E	117,005	38,052,093
Total administrative and general charged to power operations		$215,359,741

TENNESSEE VALLEY AUTHORITY
DETAILS OF NONPOWER NET EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1985

	Direct	Multiple-use (schedule E)	Total
GENERAL RESOURCES DEVELOPMENT			
Navigation operations			
Studies and investigations			
Navigation engineering and investigations	$ 448,698	$ -	$ 448,698
General and administrative expenses	21,892	-	21,892
	470,590	-	470,590
Operation and maintenance of facilities			
Operation	216,668	3,984,262	4,200,930
Maintenance	696,080	1,340,555	2,036,635
General and administrative expenses	-	85,504	85,504
Provision for depreciation	3,451,088	1,164,989	4,616,077
Total expense of navigation operations	$4,834,426	$6,575,310	11,409,736
System flood control operations			
Studies and investigations			
System studies and investigations	$ 534,888	$ -	534,888
General and administrative expenses	8,606	-	8,606
	543,494	-	543,494
Operation and maintenance of facilities			
Operation	-	5,452,149	5,452,149
Maintenance	-	1,236,757	1,236,757
General and administrative expenses	-	117,005	117,005
Provision for depreciation	380,409	1,310,129	1,690,538
Total expense of system flood control operations	$ 923,903	$8,116,040	9,039,943
Recreation development			
Recreation development	$ 862,720	$ -	862,720
General and administrative expenses	14,313	-	14,313
	877,033	-	877,033
Operation and maintenance of facilities			
Operation and maintenance	-	5,886,727	5,886,727
General and administrative expenses	-	121,506	121,506
Provision for depreciation	337,462	663,657	1,001,119
Total expense of recreation development	$1,214,495	$6,671,890	7,886,385
Community preparedness			
Community preparedness	$1,161,792	$ -	1,161,792
General and administrative expenses	20,021	-	20,021
	1,181,813	-	1,181,813
Operation and maintenance of facilities			
Operation and maintenance	-	619,371	619,371
General and administrative expenses	-	9,000	9,000
Provision for depreciation	17,402	328,639	346,041
Total expense of community preparedness	$1,199,215	$ 957,010	2,156,225
Regional water quality management			
Regional water quality management			4,044,896
Provision for depreciation			30,108
General and administrative expenses			66,614
Total expense of regional water quality management			4,141,618
Fisheries and wildlife resources development			
Fisheries resources development			589,582
Wildlife resources development			952,787
Provision for depreciation			70,938
General and administrative expenses			24,791
Total expense of fisheries and wildlife resources development			1,638,098

GENERAL RESOURCES DEVELOPMENT - continued	
Environmental protection of public lands and water	
Environmental protection of public lands and water	$ 955,253
General and administrative expenses	14,313
Total expense of environmental protection of public lands and water	969,566
Environmental education	
Environmental education	493,126
Provision for depreciation	10,974
General and administrative expenses	10,478
Total expense of environmental education	514,578
Valley agricultural development	
Farm resource management and fertilizer use	2,792,099
Program planning and analysis	415,398
Agricultural waste heat and energy applications	532,378
Developing specialty enterprises for the rural poor	1,045,310
Market development	678,756
Provision for depreciation	176,992
General and administrative expenses	170,691
Net expense of Valley agricultural development	5,811,624
Renewable fuels research	
Renewable fuels research	5,318,920
General and administrative expenses	125,286
Total expense of renewable fuels research	5,444,206
Forest resources development	
Forest resources development	1,898,374
Provision for depreciation	17,740
General and administrative expenses	35,179
Total expense of forest resources development	1,951,293
TVA lands planning	
TVA lands planning	675,040
Townlift	
Townlift	842,522
General and administrative expenses	7,580
Total expense of townlift	850,102
Industrial skills development	
Industrial skills development	3,298,365
General and administrative expenses	56,136
Total expense of industrial skills development	3,354,501
Economic development and analysis	
Economic development and analysis	3,367,111
General and administrative expenses	56,136
Total expense of economic development and analysis	3,423,247
Waterway development and engineering assistance	
Waterway development and engineering assistance	1,612,357
General and administrative expenses	22,829
Total expense of waterway development and engineering assistance	1,635,186

GENERAL RESOURCES DEVELOPMENT - continued	
Tennessee-Tombigbee waterway development	
Tennessee-Tombigbee waterway development	$ 857,396
General and administrative expenses	16,185
Total expense of Tennessee-Tombigbee waterway development	873,581
Special opportunities cities and counties program	
Special opportunities cities and counties program	4,176,033
General and administrative expenses	87,570
Total expense of special opportunities cities and counties program	4,263,603
Minority economic development	
Minority economic development	1,015,924
General and administrative expenses	20,020
Total expense of minority economic development	1,035,944
Floodplain management	
Floodplain management	305,117
Provision for depreciation	13,496
General and administrative expenses	31,434
Total expense of floodplain management	350,047
Regional water and wastewater supply	
Regional water and wastewater supply	1,544,531
General and administrative expenses	23,765
Total expense of regional water and wastewater supply	1,568,296
Land Between The Lakes operations	
Land Between The Lakes operations	7,129,060
Provision for depreciation	1,179,380
General and administrative expenses	113,297
Total expense of Land Between The Lakes operations	8,421,737
Valley mapping and remote sensing	
Valley mapping and remote sensing	1,066,410
Provision for depreciation	24,642
General and administrative expenses	17,122
Total expense of Valley mapping and remote sensing	1,108,174
Other general resources development projects	
Regional air quality management	664,951
General and administrative expenses	11,414
Total expense of other general resources development projects	676,365
Total expense of general resources development	$79,199,095
FERTILIZER DEVELOPMENT	
Research and development	
Chemical fertilizer research and development	$11,450,650
Soils and fertilizer research	2,921,414
Development of ammonia from coal process	6,480,713
Provision for depreciation	5,294,536
General and administrative expenses	659,124
Total expense of research and development	26,806,437

FERTILIZER DEVELOPMENT - continued	
Fertilizer introduction	
Fertilizer industry demonstrations	$ 3,931,281
Farm test demonstrations outside the Valley	1,487,647
General and administrative expenses	178,630
Net expense of fertilizer introduction	5,597,558
Developmental production	
Cost of products distributed	
Materials used	11,558,433
Direct manufacturing and shipping expense	14,238,871
Indirect manufacturing and shipping expense	3,286,135
Provision for depreciation and depletion	3,027,920
Finished inventory changes	(1,713,104)
Total cost of products distributed	30,398,255
General expenses	
Gain on retirements of manufacturing plant and equipment, net	(10,813)
Other general expenses	
General and administrative expenses	1,171,286
Provision for depreciation of idle manufacturing plant and equipment	308,247
Retirement of manufacturing plant and equipment	473,764
Other, including depreciation of $4,294	1,372,095
Total general expenses	3,314,579
Total production expense	33,712,834
Less transfers and sales of products	
Transfers to TVA programs, at market prices	16,224,852
Direct sales	499,720
Total transfers and sales	16,724,572
Net expense of developmental production	16,988,262
Net expense of fertilizer development	$ 49,392,257
NATIONAL ENERGY DEMONSTRATIONS	
Solar energy demonstrations	$ 115,249
Atmospheric fluidized bed combustion demonstration	36,080
Total expense of national energy demonstrations	$ 151,329
OTHER EXPENSE OR INCOME	
Scientific and technical cooperation	$ 13,571
Regional management training and other miscellaneous expenses	155,516
Maintenance of bridges financed by others on TVA dams	517,969
Emergency preparedness	36,452
Interest income from receivables	(88,595)
Other expense, net	$ 634,913
NET EXPENSE	$129,377,594

TENNESSEE VALLEY AUTHORITY

SCHEDULE E

OPERATING EXPENSES OF MULTIPLE-USE FACILITIES

FOR THE YEAR ENDED SEPTEMBER 30, 1985

Expenses	
Operation	
Water control operations	$ 2,795,979
Water control investigations	1,733,050
Investigations and control of reservoir ecology	2,519,602
Reservoir release improvements	1,326,681
Plant protection and services to visitors	4,104,463
Operation and upkeep of dam reservations	3,442,980
Operation of reservoir lands	4,846,455
Management services expenses	200,592
Total operation	20,969,802
Corporate management expenses	450,020
Maintenance	4,614,492
Provision for depreciation	4,968,646
Total	$31,002,960

	Operation	General and administrative	Maintenance	Depreciation	Total
Distributed to					
Power operations	$ 5,452,149	$117,005	$1,612,324	$1,501,232	$ 8,682,710
Navigation operations	3,984,262	85,504	1,340,555	1,164,989	6,575,310
Flood control operations	5,452,149	117,005	1,236,757	1,310,129	8,116,040
Recreation development	5,661,846	121,506	224,881	663,657	6,671,890
Community preparedness	419,396	9,000	199,975	328,639	957,010
Total	$20,969,802	$450,020	$4,614,492	$4,968,646	$31,002,960

TENNESSEE VALLEY AUTHORITY
GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 1985

SCHEDULE F

Expenses	
Board of directors	$ 666,593
Office of the general manager	2,373,355
Planning and budget staffs	1,872,219
Washington office	828,470
Information office	3,714,889
District offices	1,126,536
Citizen action office	543,179
Equal employment opportunity staff	2,807,064
Office of audit and evaluation	4,255,196
Division of personnel	9,864,981
Labor relations staff	1,490,368
Division of the comptroller	17,211,534
Office of the general counsel	8,268,626
Environmental quality staff	2,119,085
Other general and administrative	701,694
Total	$57,843,789

Distributed to	Amount	Percent of total
Construction in progress	$15,575,094	26.93
Recovered through services billed to others	898,876	1.55
Expense of programs		
Power	37,935,088	65.58
Navigation	21,892	.04
System flood control	8,606	.01
Environmental protection of public lands and waters	14,313	.02
Regional water quality management	66,614	.12
Fisheries resources development	9,542	.02
Wildlife resources development	15,249	.03
Recreation development	14,313	.02
Environmental education	10,478	.02
Valley agricultural development	170,691	.30
Forest resources development	35,179	.06
Industrial skills development	56,136	.10
Economic development and analysis	56,136	.10
Renewable fuels research	125,286	.22
Community preparedness	20,020	.03
Tennessee-Tombigbee waterway development	16,185	.03
Townlift	7,580	.01
Waterway development and engineering assistance	22,829	.04
Minority economic development	20,020	.03
Regional air quality management	11,414	.02
Special opportunities cities and counties	87,570	.15
Floodplain management	31,434	.05
Regional waste and water supply	23,765	.04
Land Between The Lakes operations	113,297	.20
Valley mapping and remote sensing	17,122	.03
Multipurpose reservoir operations	450,020	.78
Fertilizer development		
Developmental production	1,171,286	2.02
Research and development	460,780	.80
Ammonia from coal	198,344	.34
Fertilizer introduction		
Farm test demonstrations	52,318	.09
Fertilizer industry demonstrations	126,312	.22
Total	$57,843,789	100.00

APPENDIX B

Table 1. Distribution of TVA Fertilizers in Educational

State	Ammonium Ortho-phosphate Suspension (13-38-0)	Ammonium Poly-phosphate Suspension (9-32-0)	Ammonium Poly-phosphate Suspension (12-36-0)	Anhydrous Ammonia	Granular Urea (46-0-0)	Sulfur-Coated Urea
Alabama	57.985	898.015	9,186.360	35.135	6,952.470	1,477.020
Arizona	-	-	-	-	-	-
Arkansas	952.500	-	54.050	-	2.225	-
Colorado	-	-	-	-	-	0.150
Connecticut	-	-	-	-	86.400	173.900
Florida	-	-	-	-	50.000	93.210
Georgia	-	-	51.515	-	167.585	-
Idaho	-	-	-	-	1.000	-
Illinois	-	-	-	-	1,612.700	92.450
Indiana	-	-	-	-	2.000	-
Iowa	-	156.755	-	-	-	-
Kansas	-	-	54.200	-	-	-
Kentucky	-	-	173.135	-	85.900	-
Louisiana	193.900	-	176.800	-	0.125	-
Michigan	-	-	-	-	-	-
Mississippi	49.270	180.195	2,804.905	-	193.130	4.450
Missouri	-	340.695	-	-	6,261.300	-
Montana	-	-	-	-	0.050	-
Nebraska	-	-	-	-	88.500	-
Nevada	-	-	-	-	-	0.050
New Mexico	-	-	-	-	52.000	-
New York	-	-	193.000	-	-	-
North Carolina	-	-	-	-	184.625	0.500
Ohio	-	-	-	-	-	-
Oklahoma	-	-	-	-	3.000	3.000
Pennsylvania	-	-	-	-	-	-
South Carolina	-	-	-	-	200.670	0.025
South Dakota	-	-	-	-	0.050	-
Tennessee	1.117	24.670	1,826.070	-	5,658.180	-
Texas	-	-	-	-	14.825	21.200
Virginia	-	97.100	197.600	-	449.400	-
Washington	-	-	-	-	-	-
Puerto Rico	-	-	-	-	-	22.000
Total	1,254.772	1,697.430	14,717.635	35.135	22,066.135	1,887.955

a. Includes 28-0-0, 30-0-0, and 32-0-0.

Programs for the Fiscal Year Ended September 30, 1985 (Tons)

Urea-Ammonium Nitrate Solution (Tons of N)[a]	Urea-Ammonium Nitrate Suspension (31-0-0)	Urea-Ammonium Nitrate Suspension (36-0-0)	Urea-Ammonium Phosphate (35-17-0)	Urea-Ammonium Phosphate (28-28-0)	Pilot Plant Products	Total
9,870.743	217.270	-	-	328.870	5.643	29,029.511
-	-	-	-	191.850	-	191.850
19.679	201.100	..	-	-	0.504	1,230.058
-	56.050	54.100	-	-	1.257	111.557
..	-	.	-	-	-	260.300
-	..	-	-	-	0.202	143.412
64.480	23.340	26.405	-	-	0.075	333.400
..	-	..	-	-	0.175	1.175
-	8,311.450	..	-	-	0.100	10,016.700
-	..	-	-	190.450	0.150	192.600
-	7,709.390	.	-	-	-	9,427.545
.	-	-	22.000	22.000	1.100	99.300
-	248.150	-	-	1,677.670	-	2,184.855
..	-	..	-	-	0.075	370.900
.	-	..	-	-	0.175	0.175
1,695.057	121.360	-	-	191.050	-	5,239.417
-	10,805.327	..	-	-	2.025	17,608.597
..	-	..	-	-	0.100	0.150
-	833.350	..	-	..	-	921.850
..	-	..	-	-	-	0.050
..	..	-	34.450	80.000	17.850	184.300
-	-	98.650	-	-	-	291.650
..	-	..	-	-	0.100	185.225
-	556.650	..	-	-	-	556.650
..	-	.	-	-	0.150	6.150
..	-	-	-	90.350	0.075	90.425
-	-	..	-	-	-	200.695
..	-	..	-	-	-	0.050
5,433.945	593.960	25.345	-	-	0.450	13,563.737
-	-	0.291	375.825	5.700	0.200	418.041
402.165	-	..	.	-	-	1,146.265
-	.	-	-	-	1.150	1.150
.	-	..	-	-	-	22.000
17,486.069	29,677.397	204.791	432.275	2,777.940	31.556	94,029.740

Table 2. TVA Fertilizers Shipped for the Fiscal Year Ended September 30, 1985 (Tons)

TVA Fertilizer	Agronomic Research	Agricultural Resource Development	Farm Test-Demonstration	Fertilizer Industry Demonstration	Other TVA Programs	Total
Ammonium orthophosphate suspension (13-38-0)	-	1.117	-	1,253.655	-	1,254.772
Ammonium polyphosphate sulfate (12-53-0)	-	-	-	1,561.400	-	1,561.400
Ammonium polyphosphate sulfate suspension (11-30-0)	-	-	-	199.250	-	199.250
Ammonium polyphosphate suspension (9-32-0)	-	-	-	1,697.430	-	1,697.430
Ammonium polyphosphate suspension (12-36-0)	-	430.000	-	14,287.635	-	14,717.635
Anhydrous ammonia	-	35.135	-	-	-	35.135
Granular urea (46-0-0)	6.440	11.025	79.650	21,975.460	82.000	22,154.575
Sulfur-coated urea	-	0.425	61.675	1,825.855	-	1,887.955
Urea-ammonium nitrate solution (tons of N)[a]	0.091	0.810	0.018	17,485.241	-	17,486.160
Urea-ammonium nitrate suspension (31-0-0)	-	-	-	29,677.397	-	29,677.397
Urea-ammonium nitrate suspension (36-0-0)	-	-	0.291	204.500	-	204.791
Urea-ammonium phosphate (35-17-0)	-	-	129.965	302.310	5.000	437.275
Urea-ammonium phosphate (28-28-0)	-	-	87.700	2,690.240	1,220.745	3,998.685
Urea-ammonium sulfate suspension (29-0-0)	-	-	-	-	2,128.945	2,128.945
Pilot plant products	3.016	5.893	25.663	-	-	34.572
Byproduct liquid urea-ammonium phosphate	-	-	-	-	24.010	24.010
Total	9.547	484.405	384.962	93,160.373	3,460.700	97,499.987

a. Includes 28-0-0, 30-0-0, and 32-0-0.

TABLE 3 - TVA power sales in fiscal year 1985

Municipal and County Systems Distributing Power Under Standard Contracts	TVA		
	Kilowatt-hours sold (1,000)	Revenue	Average rate in mills per kWh
Aberdeen, MS	137,122	$ 5,155,203	37.60
Albertville, AL	348,930	13,745,379	39.39
Alcoa, TN	354,574	13,301,123	37.51
Amory, MS	106,684	4,292,773	40.24
Athens, AL	478,139	18,133,246	37.92
Athens, TN	423,278	16,721,199	39.50
Benton, KY	49,602	1,974,248	39.80
Benton County, TN	180,370	6,941,051	38.48
Bessemer, AL	287,487	10,708,795	37.25
Bolivar, TN	203,609	7,783,678	38.23
Bowling Green, KY	556,977	22,241,482	39.93
Bristol, TN	646,980	24,526,015	37.91
Bristol, VA	426,224	16,600,054	38.95
Brownsville, TN	132,413	5,257,359	39.70
Carroll County, TN	290,698	10,952,298	37.68
Chattanooga, TN	4,869,335	191,680,150	39.36
Chickamauga, GA	34,312	1,394,604	40.64
Clarksville, TN	556,649	21,124,708	37.95
Cleveland, TN	669,619	26,844,463	40.09
Clinton, TN	470,421	18,108,524	38.49
Columbia, TN	417,745	16,297,266	39.01
Columbus, MS	393,155	16,028,337	40.77
Cookeville, TN	338,879	13,924,598	41.09
Courtland, AL	14,485	572,282	39.51
Covington, TN	132,500	5,424,647	40.94
Cullman, AL	257,661	10,634,999	41.28
Dayton, TN	171,445	6,569,325	38.32
Decatur, AL	1,141,219	44,008,181	38.56
Dickson, TN	376,354	14,089,918	37.44
Dyersburg, TN	359,645	14,155,307	39.36
Elizabethton, TN	429,943	16,178,648	37.63
Erwin, TN	170,816	6,474,094	37.90
Etowah, TN	125,696	4,846,482	38.56
Fayetteville, TN	287,812	10,930,937	37.98
Florence, AL	831,229	31,953,834	38.44
Fort Payne, AL	199,807	7,982,243	39.95
Franklin, KY	161,467	6,282,105	38.91
Fulton, KY	46,843	1,829,439	39.05
Gallatin, TN	328,443	13,746,508	41.85
Glasgow, KY	238,951	9,432,022	39.47
Greeneville, TN	723,419	27,488,262	38.00
Guntersville, AL	165,747	6,593,071	39.78
Harriman, TN	252,680	9,699,228	38.39
Hartselle, AL	115,440	4,543,909	39.36
Hickman, KY	20,342	748,980	36.82
Holly Springs, MS	178,253	6,746,800	37.85
Hopkinsville, KY	338,288	13,152,377	38.88
Humboldt, TN	169,939	6,938,323	40.83
Huntsville, AL	2,807,425	110,656,854	39.42
Jackson, TN	949,044	37,099,864	39.09
Jellico, TN	71,749	2,654,601	37.00
Johnson City, TN	1,245,959	48,344,118	38.80
Knoxville, TN	4,192,612	163,026,808	38.88
LaFollette, TN	310,806	11,861,092	38.16
Lawrenceburg, TN	344,847	13,117,939	38.04
Lebanon, TN	260,557	10,512,746	40.35
Lenoir City, TN	713,432	28,454,846	39.88
Lewisburg, TN	200,325	8,058,671	40.23
Lexington, TN	316,405	11,924,293	37.69
Loudon, TN	160,766	6,214,051	38.65
Louisville, MS	127,597	5,038,705	39.49
Macon, MS	21,510	873,739	40.62
Maryville, TN	353,971	13,489,883	38.11
Mayfield, KY	121,520	4,686,578	38.57
McMinnville, TN	186,371	7,590,036	40.73

TABLE 3 - TVA power sales in fiscal year 1985--(Continued)

	TVA		
Municipal and County Systems Distributing Power Under Standard Contracts--Continued	Kilowatt-hours sold (1,000)	Revenue	Average rate in mills per kWh
Memphis, TN	9,865,073	$373,391,040	37.85
Milan, TN	202,162	8,046,549	39.80
Monticello, KY	67,785	2,704,113	39.89
Morristown, TN	440,685	18,154,651	41.20
Mount Pleasant, TN	84,218	3,148,663	37.39
Murfreesboro, TN	638,983	25,341,658	39.66
Murphy, NC	120,635	4,971,163	41.21
Murray, KY	193,228	7,641,499	39.55
Muscle Shoals, AL	168,615	6,840,411	40.57
Nashville, TN	8,681,930	337,922,915	38.92
New Albany, MS	183,983	7,214,054	39.21
Newbern, TN	35,972	1,457,998	40.53
Newport, TN	325,364	12,227,328	37.58
Oak Ridge, TN	363,005	14,249,246	39.25
Okolona, MS	72,472	2,674,562	36.90
Oxford, MS	117,108	4,710,984	40.23
Paducah, KY	475,452	18,381,653	38.66
Paris, TN	390,149	14,879,245	38.14
Philadelphia, MS	103,837	4,232,401	40.76
Princeton, KY	66,128	2,557,628	38.68
Pulaski, TN	305,009	11,855,289	38.87
Ripley, TN	208,434	8,102,191	38.87
Rockwood, TN	218,877	8,281,953	37.84
Russellville, AL	108,029	4,234,738	39.20
Russellville, KY	96,712	3,807,077	39.37
Scottsboro, AL	300,500	11,565,202	38.49
Sevierville, TN	577,615	22,706,954	39.31
Sheffield, AL	367,942	15,455,155	42.00
Shelbyville, TN	222,516	8,853,660	39.79
Smithville, TN	64,583	2,607,889	40.38
Somerville, TN	29,682	1,216,127	40.97
Sparta, TN	74,079	3,013,378	40.68
Springfield, TN	137,373	5,451,287	39.68
Starkville, MS	261,676	10,399,308	39.74
Sweetwater, TN	149,027	5,815,007	39.02
Tarrant City, AL	69,334	2,809,016	40.51
Trenton, TN	81,260	3,296,242	40.56
Tullahoma, TN	218,434	8,662,175	39.66
Tupelo, MS	449,431	18,300,155	40.72
Tuscumbia, AL	89,285	3,430,814	38.43
Union City, TN	328,548	12,580,056	38.29
Water Valley, MS	65,481	2,694,037	41.14
Weakley County, TN	402,700	15,432,854	38.32
West Point, MS	136,877	5,480,633	40.04
Winchester, TN	92,230	3,627,130	39.33
Total	59,648,940	$2,318,789,386	38.87
Preceding year	58,429,442	$2,241,567,142	38.36
Four largest metropolitan areas:			
Total	27,608,950	$1,066,020,913	38.61
Preceding year	27,016,913	$1,031,261,389	38.17
Other municipalities:			
Total	32,039,990	$1,252,768,473	39.10
Preceding year	31,412,529	$1,210,305,753	38.53
Cooperative Systems Distributing Power Under Standard Contracts[1]			
Alcorn County EPA, Corinth, MS	552,997	$ 21,159,762	38.26
Appalachian EC, Jefferson City, TN	554,855	20,876,791	37.63
Arab EC, Arab, AL	190,264	7,095,451	37.29
Blue Ridge Mountain EMC, Young Harris,GA	230,184	8,049,999	34.97
Caney Fork EC, McMinnville, TN	353,907	13,130,506	37.10
Central EPA, Carthage, MS	338,864	12,435,614	36.70
Cherokee EC, Centre, AL	212,468	7,866,487	37.02

See footnotes at end of table.

TABLE 3 - TVA power sales in fiscal year 1985--(Continued)

	TVA		
Cooperative Systems Distributing Power Under Standard Contracts--Continued	Kilowatt-hours sold (1,000)	Revenue	Average rate in mills per kWh
Chickasaw EC, Somerville, TN	185,807	$ 6,965,795	37.49
Cullman EC, Cullman, AL	473,764	17,496,159	36.93
Cumberland EMC, Clarksville, TN	1,043,227	39,297,791	37.67
Duck River EMC, Shelbyville, TN	776,548	29,699,433	38.25
East Mississippi EPA, Meridian, MS	163,822	5,950,199	36.32
Forked Deer EC, Halls, TN	131,696	5,025,124	38.16
Ft. Loudoun EC, Madisonville, TN	263,830	9,734,605	36.90
4-County EPA, Columbus, MS	683,219	25,826,170	37.80
Franklin EC, Russellville, AL	203,433	7,958,587	39.12
Gibson County EMC, Trenton, TN	553,957	20,609,984	37.21
Hickman-Fulton Cos. RECC, Hickman, KY	126,803	4,960,697	39.12
Holston EC, Rogersville, TN	477,487	17,801,940	37.28
Joe Wheeler EMC, Hartselle, AL	540,614	20,348,172	37.64
Marshall-DeKalb EC, Boaz, AL	262,900	9,862,247	37.51
Meriwether-Lewis EC, Centerville, TN	574,985	22,558,039	39.23
Middle Tennessee EMC, Murfreesboro, TN	1,792,185	69,085,989	38.55
Monroe County EPA, Amory, MS	120,684	4,531,742	37.55
Mountain EC, Mountain City, TN	398,558	14,664,756	36.79
Natchez Trace EPA, Houston, MS	260,142	9,886,654	38.00
North Alabama EC, Stevenson, AL	298,934	11,441,291	38.27
Northcentral Miss. EPA, Byhalia, MS	254,045	10,163,235	40.01
North East Miss. EPA, Oxford, MS	275,095	10,336,093	37.57
North Georgia EMC, Dalton, GA	1,368,620	52,422,748	38.30
Pennyrile RECC, Hopkinsville, KY	762,237	29,020,131	38.07
Pickwick EC, Selmer, TN	289,159	11,011,006	38.08
Plateau EC, Oneida, TN	206,332	7,600,082	36.83
Pontotoc EPA, Pontotoc, MS	257,334	9,750,549	37.89
Powell Valley EC, Jonesville, VA	298,182	10,751,667	36.06
Prentiss County EPA, Booneville, MS	227,244	8,494,439	37.38
Sand Mountain EC, Rainsville, AL	329,427	11,949,564	36.27
Sequachee Valley EC, South Pittsburg, TN	488,119	18,745,687	38.40
Southwest Tenn. EMC, Brownsville, TN	574,479	21,785,511	37.92
Tallahatchie Valley EPA, Batesville, MS	351,514	13,226,051	37.63
Tennessee Valley EC, Savannah, TN	243,253	9,150,784	37.62
Tippah EPA, Ripley, MS	222,720	8,421,879	37.81
Tishomingo County EPA, Iuka, MS	169,935	6,231,726	36.67
Tombigbee EPA, Tupelo, MS	543,094	20,869,222	38.43
Tri-County EMC, LaFayette, TN	618,897	22,859,268	36.94
Tri-State EMC, McCaysville, GA	146,123	5,465,296	37.40
Upper Cumberland EMC, Carthage, TN	569,570	21,251,649	37.31
Volunteer EC, Decatur, TN	1,095,620	40,700,234	37.15
Warren RECC, Bowling Green, KY	856,566	31,859,403	37.19
West Kentucky RECC, Mayfield, KY	592,547	22,317,525	37.66
Total	22,506,246	$848,703,733	37.71
Preceding year	22,270,855	$831,992,291	37.36
Total sales to municipalities and cooperatives under standard contracts	82,155,186	$3,167,493,119	38.55
Preceding year	80,700,297	$3,073,559,433	38.09
Direct Sales to Federal Agencies[2]	5,216,229	$565,897,840	108.49
Direct Sales to Industries			
A. E. Staley Manufacturing Co., Loudon, TN	265,396	10,281,673	38.74
Air Products and Chemicals, Inc., Calvert City, KY	109,218	4,264,874	39.05
Aluminum Company of America, Alcoa, TN	1,285,060	48,815,449	37.99
American Enka Co., Lowland, TN	264,899	10,128,366	38.23
Amoco Chemicals Co., Decatur, AL	510,360	22,386,358	43.86
B. F. Goodrich Chemical Co., Calvert City, KY	721,843	23,868,620	33.07
BOC Group, Inc., The, Calvert City, KY	79,585	3,826,726	48.08
Bowater, Inc., Calhoun, TN	1,180,147	43,429,925	36.80
Champion International Corp., Courtland, AL	615,320	23,543,791	38.26
Consolidated Aluminum Corp., New Johnsonville, TN	290,624	17,274,049	59.44

See footnotes at end of table.

TABLE 3 - TVA power sales in fiscal year 1985--(Continued)

	TVA		
Direct Sales to Industries--Continued	Kilowatt-hours sold (1,000)	Revenue	Average rate in mills per kWh
Diamond Shamrock Chemicals Co., Muscle Shoals, AL	466,739	$ 14,842,201	31.80
E. I. Du Pont de Nemours & Co., New Johnsonville, TN	234,519	8,625,535	36.78
Engelhard Minerals & Chemicals Corp., Rockwood, TN	4,283	7,036,977	[5]
Florida Steel Corp., Jackson, TN	184,766	7,708,871	41.72
GAF Corp., Calvert City, KY	53,150	2,059,705	38.75
General Motors Corp., Athens, AL	238,788	9,708,155	40.66
International Minerals & Chemical Corp., Bridgeport, AL	258,439	8,594,747	33.26
International Minerals & Chemical Corp., Kimball, TN	183,985	7,178,361	39.02
KemaNord, Inc., Columbus, MS	323,477	10,585,737	32.72
Kerr-McGee Chemical Corp., Hamilton, MS	459,466	14,956,165	32.55
Logan Aluminum Inc., Russellville, KY[4]	84,270	4,036,170	47.90
Mead Corp., The, Stevenson, AL	214,378	8,358,663	38.99
Monsanto Co.:			
Phosphorus Plant, Columbia, TN	842,104	$ 30,374,300	36.07
Textiles Plant, Decatur, AL	466,703	18,435,145	39.50
Occidental Chemical Corp., Columbia, TN	586,330	19,217,734	32.78
Ohio River Steel Corp., Calvert City, KY	12,328	731,408	59.33
Olin Corp., Charleston, TN	951,320	35,898,796	37.74
Pennwalt Corp., Calvert City, KY	73,501	4,990,835	67.90
Revere Copper and Brass Inc., Scottsboro, AL	27,997	8,258,478	[5]
Reynolds Metals Co., Sheffield, AL:			
Alloys Plant	399,969	16,639,486	41.60
Reduction Plants	818,035	55,735,009	68.13
SKW Alloys, Inc., Calvert City, KY	330,931	13,035,041	39.39
Stauffer Chemical Co., Mt. Pleasant, TN	582,895	19,706,320	33.81
Tennessee Chemical Co., Copperhill, TN	195,158	7,907,693	40.52
Tennessee Forging Steel Corp., Harriman, TN	90	2,282,519	[5]
Tennessee River Pulp & Paper Co., Counce, TN	338,470	13,279,674	39.23
Texas Eastern Transmission Corp.:			
Pumping Station, Egypt, MS	166,614	6,765,580	40.61
Pumping Station, Mt. Pleasant, TN	190,596	7,595,392	39.85
Pumping Station, Tompkinsville, KY	134,337	5,388,650	40.11
Union Carbide Corp., Clarksville, TN	52,690	2,904,573	55.13
Union Carbide Corp., Columbia, TN	210,056	11,020,269	52.46
Union Zinc, Inc., Clarksville, TN[3]	369,179	12,418,445	33.64
U. S. Steel Corp., Cherokee, AL	198,239	6,805,827	34.79
Weyerhaeuser Co., Columbus, MS	441,428	17,682,228	40.06
Other Industrials	6,729	320,404	47.62
Total	15,424,411	$ 628,994,924	40.78
Total Industries and Federal Agencies	20,640,640	$1,194,892,764	57.89
Preceding Year	27,617,713	$1,334,096,140	48.31
Other Electric Utilities[6]			
Carolina Power and Light Co.	1,225	52,550	42.90
Cincinnati Gas & Electric Co.	-	(24,363)	-
East Kentucky Power Cooperative	700	24,627	35.18
Nantahala Power and Light Co.	389,280	15,774,534	40.52
Union Electric Co.	-	9,565	-
Total	391,205	$15,836,913	40.48
Preceding Year	317,950	$14,358,175	45.16
Interdivisional Sales			
Chemical Development, Muscle Shoals, AL	122,939	4,608,434	37.49
Other (principally power for construction purposes)	233,924	10,977,488	46.93
Total	356,863	$15,585,922	43.67
Preceding Year	390,224	$16,996,548	43.56

See footnotes at end of table.

TABLE 3 - TVA power sales in fiscal year 1985--(Continued)

Direct Sales to Industries--Continued	TVA		
	Kilowatt-hours sold (1,000)	Revenue	Average rate in mills per kWh
Total kWh Sales and Operating Revenues	103,543,895	$4,498,570,721	43.45
Preceding Year	109,026,184	$4,555,103,738	41.78

1. Abbreviations for cooperative distributors are used as follows: EPA - Electric Power Association; EC - Electric Cooperative; EMC - Electric Membership Corporation; RECC - Rural Electric Cooperative Corporation.
2. Includes minimum obligation charges to Department of Energy.
3. Formerly Jersey Miniere Zinc Co.
4. Transferred from distributor service to direct service on January 11, 1985.
5. Minimum bills applicable.
6. TVA had a variety of contractual arrangements with 16 privately owned utility companies and 4 generation and transmission cooperatives. The contracts with these utilities provided for interconnection of facilities; for interchange, sale, and purchase of power; for emergency standby service; or for various combinations of these.

November 1985

TABLE 4—TVA PROCUREMENT SOURCES
FISCAL YEAR 1985 AND FISCAL YEARS 1934 THROUGH 1985

	1985		1934 - 1985	
Alabama	$ 5,289,331		$ 1,283,781,402	
Georgia	10,198,602		217,757,984	
Kentucky	104,356,945		8,818,264,825	
Mississippi	3,760,598		187,366,881	
North Carolina	13,198,752		611,753,425	
Tennessee	(11,385,044)		8,347,416,336	
Virginia	(15,545,343)		1,454,571,055	
Total Valley States	$ 109,873,841	20%	$20,920,911,908	56%
Alaska	$ 13,826		$ 121,638	
Arizona	619,137		24,163,246	
Arkansas	1,663,786		50,099,426	
California	23,296,123		1,248,005,033	
Colorado	1,552,789		62,526,761	
Connecticut	42,513,463		393,913,424	
Delaware	1,386,035		44,321,847	
District of Columbia	216,030		12,389,496	
Florida	8,127,997		581,302,052	
Hawaii	150,120		430,877	
Idaho	267,221		3,202,527	
Illinois	129,178,304		1,308,528,153	
Indiana	5,816,827		676,938,668	
Iowa	891,316		38,900,065	
Kansas	908,104		26,181,523	
Louisiana	2,556,867		291,475,460	
Maine	551,844		25,466,299	
Maryland	3,438,882		104,237,611	
Massachusetts	14,514,180		312,704,050	
Michigan	4,929,543		173,552,701	
Minnesota	23,400,922		82,216,485	
Missouri	10,282,174		176,782,090	
Montana	55,602		4,101,210	
Nebraska	1,417,428		15,922,672	
Nevada	316,834		2,304,608	
New Hampshire	2,270,033		57,525,009	
New Jersey	22,401,963		333,590,780	
New Mexico	328,046		5,489,605	
New York	17,371,982		973,742,555	
North Dakota	112,251		768,432	
Ohio	19,890,306		3,178,690,364	
Oklahoma	1,998,963		215,489,369	
Oregon	1,335,462		36,889,079	
Pennsylvania	31,444,924		1,665,106,632	
Rhode Island	495,681		32,744,288	
South Carolina	20,223,831		579,145,860	
South Dakota	201,306		32,954,065	
Texas	13,354,531		700,081,690	
Utah	(32,855)		6,904,158	
Vermont	147,193		4,898,048	
Washington	4,160,278		43,474,986	
West Virginia	5,723,993		343,297,611	
Wisconsin	5,849,213		217,968,431	
Wyoming	55,861		833,194,725	
Total Other States	$ 425,398,316	78%	$14,921,743,609	40%
Foreign	10,071,187	2%	1,337,068,710	4%
Grand Total	$ 545,343,344		$37,179,724,227 1/	

Note: Amounts shown are totals of purchase contracts awarded during the period, not actual amounts of money expended under the contracts. Expenditures under some contracts are made over a period of two or more fiscal years.

1/ Does not include a $2 billion indefinite term contract in 1983 with the Department of Energy. The contract covers disposal of all spent nuclear fuel and high level radioactive waste from all TVA nuclear plants for the life of each plant.

This contract is required in accordance with the Nuclear Waste Policy Act of 1982, and is estimated to run through the year 2050.

Appendix C

POWER CONTRACTS

During Fiscal Year 1985 which ended September 30, 1985, TVA entered into new, superseding, or supplemental power supply contracts with the following contractors:

DISTRIBUTORS:	Page
Electric Plant Board of the City of Benton, Kentucky, and City of Benton, Kentucky, power contract March 25, 1985	56
City of Bristol, Tennessee, power contract, June 27, 1985	79
City of Bristol, Virginia, power contract, June 4, 1985	93
City of Cookeville, Tennessee, power contract, October 16, 1984	106
City of Elizabethton, Tennessee, power contract, June 19, 1985	114
Town of Erwin, Tennessee, power contract, May 7, 1985	119
City of Greeneville, Tennessee, power contract, May 23, 1985	127
Electric Plant Board of the City of Hickman, Kentucky, and City of Hickman, Kentucky, power contract February 14, 1985	132
City of Johnson City, Tennessee, power contract, May 2, 1985	141
City of Memphis, Tennessee, and Memphis Light, Gas and Water Division, power contract December 26, 19894	146
Mountain Electric Cooperative, power contract, May 8, 1985	162
INDUSTRIES:	
Amoco Chemicals Company, power contract, July 19, 1985	171
E. I. Du Pont de Nemours & Company, power contract May 24, 1985	180
International Minerals & Chemical Corporation, power contract September 25, 1985	186
Monsanto Company, power contract, July 31, 1985	192
Olin Corporation, power contract, August 21, 1985	200
Reynolds Metals Company, power contract, September 30, 1985	206
SKW Alloys, Inc., power contract, January 17, 1985	214
Tennol Energy Company, power contract, March 13, 1985	220
FEDERAL AGENCIES:	
United States of America, Department of the Army, Redstone Arsenal, memorandum of understanding, June 20, 1985	227
United States of America, Department of the Navy, Naval Air Station-Memphis, memorandum of understanding, December 30, 1984	230

INTERDIVISIONAL:

Tennessee Valley Authority, Office of Agricultural and Chemical Development at Wilson Dam, memorandum, March 31, 1985 233

Rate schedules, adjustment addendums, terms and conditions, and rules and regulations attached to the respective items listed as "power contracts" are similar for customers in the same class and are published herein only once to avoid repetition. For reference to any such attachment, please refer to the appropriate item in the following index:

Wholesale Power Rate—Schedule WP (July 1983) 60

Residential Rate—Schedule RP-G (July 1983) 97

Residential Rate—Schedule RP-H (July 1983) 83

Residential Rate—Schedule RP-I (July 1983) 110

Residential Rate—Schedule RP-J (July 1983) 123

Residential Rate—Schedule RP-L (July 1983) 151

Residential Rate—Schedule RP-N (July 1983) 63

Residential Rate—Schedule RP-S (July 1983) 136

General Power Rate—Schedule GP-G (July 1983) 98

General Power Rate—Schedule GP-H (July 1983) 84

General Power Rate—Schedule GP-I (July 1983) 111

General Power Rate—Schedule GP-J (July 1983) 124

General Power Rate—Schedule GP-L (July 1983) 151

General Power Rate—Schedule GP-N (July 1983) 64

General Power Rate—Schedule GP-S (July 1983) 137

Time-of-Day General Power Rate—Schedule TGP (July 1983) 66

Outdoor Lighting Rate—Schedule LP[1] (July 1983) 69

Drainage Pumping Station Rate—Schedule DPP-L (July 1983) 154

Drainage Pumping Station Rate—Schedule DPP-S (July 1983) 139

Charges Applicable to Limited Interruptible Power (Exhibit A) 177

5-Percent Interruptible Power Credit (Exhibit B) 199

Schedule of Terms and Conditions for Cooperatives 166

Schedule of Terms and Conditions for Municipalities (Kentucky) 71

---

1. The percentage amount specified in Part A II of Outdoor Lighting Rate—Schedule LP may differ among individual distributors from the amount specified in the schedule published herein. Individual distributors select either paragraph "A" or paragraph "B" under Part A III of these schedules.

Schedule of Terms and Conditions for Municipalities (Tennessee)[2] 86

Schedule of Terms and Conditions for Other Municipalities 100

Terms and Conditions for Industries and Federal Agencies 177

Schedule of Rules and Regulations[3] 76

Schedule of Rules and Regulations for City of Memphis, Tennessee, and Memphis Light, Gas and Water Division 159

---

2. Terms and Conditions for Tennessee municipalities reflect applicable statutory provisions relating to payments in lieu of taxes.

3. The Schedules of Rules and Regulations of some individual distributors contain minor differences in the *Non-Standard Service* and the *Billing Adjusted to Standard Periods* sections. The Schedules of Rules and Regulations of some individual distributors contain an additional *Balancing of Loads* section for customers using polyphase power.

In addition, existing power supply contracts with municipal and cooperative distributors, included in prior annual reports, were necessarily amended and supplemented by agreement as a result of normal growth and change. These agreements were technical in nature and affected the mechanics of operation established under the contracts rather than established policies. They related to matters such as changes to the points of delivery of electrical energy and the supply of power thereto, ownership of facilities, changed maximum demands, changes in wholesale and resale rate schedules, and the like. A number of existing contracts with industries, electric utilities, and Federal agencies also were amended in technical respects or to modify the availability of power thereunder.

POWER CONTRACT Among TENNESSEE VALLEY AUTHORITY, ELECTRIC PLANT BOARD OF THE CITY OF BENTON, KENTUCKY, And CITY OF BENTON, KENTUCKY

THIS CONTRACT, made and entered into as of the 25 day of March, 1985, by and among TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"); the ELECTRIC PLANT BOARD OF THE CITY OF BENTON, KENTUCKY (hereinafter called "Board"), a corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky, acting for itself and as agent of the City of Benton, Kentucky; and the CITY OF BENTON, KENTUCKY (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality has established Board pursuant to the laws of the Commonwealth of Kentucky for purposes of acquiring, constructing, operating, maintaining, and managing a municipal electric system and, under said laws, Board has the power to act as agent of Municipality in all matters pertaining thereto; and

WHEREAS, Board operates an electric system and in the operation thereof is presently purchasing and desires to continue to purchase the entire power requirements for said system from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Board's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Board agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Board or Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Board agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Board at the delivery point or points specified in or hereafter established under section 3 hereof and Board shall take and distribute the electric power required for service to Board's customers. Board shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Board and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Board shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any Federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Board to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Board would receive the energy for such consumer if it were served by Board. The supply

of power by TVA to Board for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Board under said resale rate schedules, and the contract for such resale between Board and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Board and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by TVA or Board which, because of changed conditions, may become a consumer which the other is entitled to serve under the provisions of subsection (b) of this section. In any such case TVA and Board, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Board shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Board regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Board would be entitled to serve hereunder, TVA shall notify Board of the time schedule upon which the additional power required for such service could be made available to Board at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Board shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Board, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Board which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Board to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Board.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Board to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point	*Normal Wholesale Delivery Voltage*
69-kV side of the Benton City Substation	69,000

It is recognized that load growth and development and the maintenance of high quality service in Board's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Board and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither Board nor TVA shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Board is referred to as "Distributor." Subject to the other provisions of this contract, Board shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WP.

The payments to be made hereunder shall be made solely and exclusively from the revenues of Board's electric system and shall not be a charge upon Municipality's general funds or Board's other funds.

5. *Resale Rates.* In distributing electric energy in the area served by Board, the parties agree as follows:

(a) Board agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Board agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RP-N, GP-N, TGP, and LP of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Board shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RP Schedule, and (2) 10 days, for customers served under the GP and TGP Schedules, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Board for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties hereto shall agree upon, and Board shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Board shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Board agrees to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;

(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;

(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and

(4) From any revenues then remaining, tax equivalent payments, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Board will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Board will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Board will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Board will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Board hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Board is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Board at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Board, to the extent of their capacity in excess of the requirements of Board, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Board the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Board by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Board from any damage or injury caused by TVA's exercise of such use.

11. *Municipality's Participation.* Municipality's participation in this contract is limited to, and Municipality hereby approves and shall be bound by, all of the provisions of this contract with respect to which the approval, consent, execution, or other action of Municipality is or may be required in order to make the contract, or its respective provisions, the valid and binding obligation or obligations of the parties. The execution of this contract by Municipality shall signify conclusively that its governing body approves and deems appropriate all of the covenants, provisions, terms, and conditions of this contract and that it will from time to time take such actions as may be necessary to enable Board to validly comply with their language, tenor, and intent.

12. *Waiver of Defaults.* Any waiver at any time by any party hereto of its rights with respect to any default of any other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

13. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Board without the consent of TVA.

14. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality or Board offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract.

15. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated May 27, 1965, and numbered TV-27005A, as supplemented and amended, among the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) Section 3 of Agreement TV-27005A, Supplement No. 7, dated December 13, 1976, relative to application of a monthly facilities rental credit to billings under the Wholesale Power Rate Schedule; and

(b) Lease and Amendatory Agreement TV-27005A, Supplement No. 13, dated October 26, 1982, relative to the lease by Board of the Benton City Substation.

Any reference in said agreements, or portions thereof, to the power contract dated May 27, 1965, shall be deemed to refer to this contract.

16. *Term of Contract.* This contract shall become effective as of July 1, 1985, and shall continue in effect for 20 years from said date, subject to termination by either Board or TVA, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Board should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Board unless Board agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
/s/Helen S. Drummer
Assistant Secretary
OGC /s/SDK

TENNESSEE VALLEY AUTHORITY
By /s/W. F. Willis
General Manager

Attest:

/s/Greg Cates
Office Manager
/s/Sam H. Lane
Chairman

ELECTRIC PLANT BOARD OF THE CITY OF BENTON, KENTUCKY
By /s/Jim Owens
Superintendent

Attest:
/s/Frank Dunn
City Clerk

CITY OF BENTON, KENTUCKY
By /s/Coy Creason
Mayor

Approved by TVA
Board of Directors
MAY 21 1985
/s/HSD
Assistant Secretary

TENNESSEE VALLEY AUTHORITY
SCHEDULE OF RATES AND CHARGES

WHOLESALE POWER RATE—SCHEDULE WP
(July 1983)

Availability

Firm power available under long-term contracts with, and for distribution and resale by, States, counties, municipalities, and cooperative organizations of citizens or farmers, all referred to herein as "Distributor."

Base Charges*

	Standard	Time-of-Day
Delivery Point Charge:	$1,500 per delivery point per month	$1,500 per delivery point per month
Demand Charge:	$7.56 per kW of billing demand per month	$7.56 per kW per month of onpeak billing demand
		$3.94 per kW per month for each kW, if any, by which offpeak billing demand exceeds onpeak billing demand

Energy Charge:	2.496 cents per kWh per month	2.707 cents per kWh per month for all onpeak kWh 2.372 cents per kWh per month for all offpeak kWh

*Application of Standard and Time-of-Day Base Charges:

Power and energy taken hereunder shall be billed under the Standard Base Charges above except that, for any delivery point through which any power and energy is taken by Distributor for resale to one or more customers under the Time-of-Day General Power Rate Schedule, the Time-of-Day Base Charges specified above shall be applied to the portion of the power and energy so taken for such resale; provided, however, that Distributor's bill shall be adjusted to reflect diversity, if any, between the billing demand of each such customer and the billing demand of Distributor at such delivery point. The remaining power and energy, if any, taken at that delivery point shall be billed under the Standard Base Charges (the base delivery point charge shall be applied only once to a delivery point).

The onpeak billing demand and the offpeak billing demand for any month shall be determined as is the billing demand under the *Determination of Demand* section of this rate schedule except that (1) in determining the onpeak billing demand the calculations under that section shall be applied only to the onpeak hours during that month as designated below and (2) in determining the offpeak billing demand the calculations under that section shall be applied only to the offpeak hours during that month as designated below.

Except for Saturdays and Sundays and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall be from 10:00 a.m. to 10:00 p.m. during the calendar months of May through September and from 6:00 a.m. to 12:00 noon and from 4:00 p.m. to 10:00 p.m. during all other calendar months. All other hours of each day and all hours of such excepted days shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. The onpeak and offpeak hours under this rate schedule are subject to change by TVA. In the event TVA determines that such changed onpeak and offpeak hours are appropriate, it shall so notify Distributor at least 12 months prior to the effective date of such changed hours.

Adjustments

1. The base demand and energy charges in this rate schedule shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.
2. Distributor's bill for each month shall be adjusted by adding to the bill 0 cents per kW and 0.000 cent per kWh for power and energy resold by Distributor in the preceding month to any customer of Distributor which has a billing demand of more than 10,000 kW or which uses more than 5 million kWh (herein referred to as a large load), except that such adjustment shall not apply to any portion of a large load up to the following respective amounts: 10,000 kW plus an amount (not to exceed 20,000 kW) equal to that portion of Distributor's demand at the TVA delivery point from which such large load is served by Distributor which is in excess of the sum of the billing demands of all large loads served by Distributor from that delivery point; 5 million kWh plus an amount (not to exceed 15 million kWh) equal to that portion of Distributor's purchases of energy at the TVA delivery point from which such large load is served by Distributor which is in excess of the energy resold to all large loads served by Distributor from that delivery point. Such amounts in cents per kW and in cent per kWh may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to compensate for a change in the differential between the base demand and energy charges, as adjusted, under this rate schedule and under the resale rate schedules applicable to large loads, when such change arises out of application of Adjustment Addendums.
3. In any case in which a minimum bill is applicable to a customer of Distributor under part B of the General Power Rate Schedule or under the Time-of-Day General Power Rate Schedule, Distributor's bill under this rate schedule shall be adjusted by adding thereto for each such

customer 75 percent of the amount by which such applicable minimum bill exceeds an amount computed by applying the appropriate base charges, as adjusted, under part B of the General Power Rate Schedule or under the Time-of-Day General Power Rate Schedule to the measured demand and energy taken by such customer. Such measured demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA.

If a customer of Distributor fails to pay any minimum bill obligations arising under part B of the General Power Rate Schedule or under the Time-of-Day General Power Rate Schedule, Distributor shall promptly so notify TVA in writing. Within 90 days after the date on which a customer becomes past due in making payment on any such minimum bill obligations, Distributor, after consultation with TVA, shall institute litigation to enforce payment of the minimum bill obligations. To the extent determined by TVA to be appropriate TVA will assist Distributor in such efforts. Upon failure of Distributor to do so, TVA may institute such litigation in the name of Distributor, or in the name of TVA, or in the name of both, and any actions taken by TVA in connection with such litigation shall be binding on Distributor.

For all bills rendered under this rate schedule after the initiation of any such litigation, the amounts applicable under this Adjustment 3 as a result of service to a customer being sued shall continue to accrue but shall not become payable by Distributor until collections are being made from the customer. If all legal remedies are pursued and less than full recovery is realized, Distributor's payment obligations to TVA on the amounts which accrued under this Adjustment 3 after the initiation of litigation shall be limited to 75 percent of the amount recovered from the customer. Notwithstanding any other provision of this Adjustment 3, in the event litigation was brought by TVA under the preceding paragraph, unless otherwise agreed by TVA and Distributor, all costs (including personnel costs of attorneys and all other employees engaged in the prosecution of such litigation) incurred by TVA in its collection efforts shall be reimbursed to TVA from the portion of any amounts recovered that Distributor would otherwise be entitled to receive or retain.

4. Distributor's bill for each month shall be adjusted by applying the net of the following calculation: (1) subtract 0.656 cent per kWh for one-twelfth of the sum of (a) the energy annually resold by Distributor under the initial block (the first 2,000 kWh per month) of the base energy charge of the Residential Rate Schedule and (b) the energy annually resold by Distributor under the Time-of-Day Residential Rate Schedule, exclusive of any energy resold to any customer thereunder in any month in excess of 2,000 kWh; (2) subtract 4.00 dollars per customer for each residential customer served by Distributor; (3) add 0.517 cent per kWh for one-twelfth of the energy annually resold by Distributor under part A of the General Power Rate Schedule and under the Outdoor Lighting Rate Schedule; and (4) add 0.131 cent per kWh for one-twelfth of the energy annually resold by Distributor under part B of the General Power Rate Schedule and under the Time-of-Day General Power Rate Schedule. The adjustment applied under the preceding sentence (hereinafter referred to as the "Hydro Allocation Adjustment") shall remain constant for 12 consecutive months from October 2 of each year; provided, however, that the respective amounts in cent per kWh or dollars per customer to be applied in (1), (2), (3), and (4) above may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to appropriately reflect changes in the unit value of the hydro generation benefits allocated to residential customers, and in such event the Hydro Allocation Adjustment shall be recomputed and applied accordingly.

Effective October 2 of each year the Hydro Allocation Adjustment shall be recomputed to take account of changed sales and customer account data and applied accordingly. In performing such computations, the latest 12-month period ending June 30 shall be used for purposes of determining the applicable annual energy amounts under (1), (3), and (4) above, and the number of residential customers being served by Distributor at the end of such 12-month period shall be the number of residential customers used in the calculation under (2) above. For annual periods ending June 30, 1985 and thereafter, the resold energy amounts used in the calculations under (1) above and the number of residential customers used in the calculations under (2) above shall be determined only from customer accounts which include service to a single family dwelling; separately metered and billed service to appurtenances, structures or facilities shall not be included even if billed by Distributor under the Residential Rate Schedule or Time-of-Day Residential Rate Schedule.,

Determination of Demand

The billing demand for any month shall be the highest average during any 60-consecutive-minute period of the month of (a) the load measured in kW or (b) 85 percent of the load in

kVA plus 10 percent of the excess over 5,000 kVA of the maximum kVA demand for the month for each individual customer of Distributor, whichever is the higher.

Facilities Rental

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to Distributor's bill a facilities rental charge. This charge shall be 33 cents per kW per month, except for delivery at voltages below 46 kV, in which case the charge shall be 87 cents per kW per month for the first 10,000 kW and 68 cents per kW per month for the excess over 10,000 kW. For each delivery point, such charge shall be applied to the higher of (1) the highest billing demand established at the delivery point during the latest 12-consecutive-month period or (2) the sum of the currently effective contract demands for all customers which are served by Distributor under part B of the General Power Rate Schedule and under the Time-of-Day General Power Rate Schedule with power and energy taken from such point. Such charge shall be in addition to all other charges under this rate schedule including minimum bill charges, and such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

Minimum Bill

The monthly bill, exclusive of Adjustments 2 and 4 and any applicable facilities rental charges, shall not be less than the higher of (1) the base delivery point charge or (2) 70 percent of the highest billing demand established during the previous 36 months multiplied by the base demand charge, as adjusted. At Distributor's request, in lieu of such minimum bill being applied individually in the case of two or more delivery points through each of which less than half of the energy taken by Distributor is resold to general power customers with demands of 50 kW or more, the minimum bill, exclusive of Adjustments 2 and 4 and any applicable facilities rental charges, for any month for such delivery points, considered together, shall instead be an amount equal to the sum of the minimum bills which would otherwise have been applicable to such delivery points for such month; provided, however, that a special minimum bill may be applied for any delivery point through which more than 75 percent of the energy taken by Distributor is resold to general power customers with demands of 50 kW or more.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery point, and at a single voltage. If service is supplied to Distributor through more than one point of delivery or at different voltages, the supply of service at each delivery point and at each different voltage shall be separately metered and billed under this rate schedule.

RESIDENTIAL RATE—SCHEDULE RP-N
(July 1983)

Availability

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate Schedule; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate Schedule.

Character of Service

Alternating current, single-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

Base Charges

Customer Charge: $4.05 per month
Energy Charge: First 2,000 kWh per month at 4.688 cents per kWh
Additional " " " " 5.344 " " kWh

Adjustment

The base energy charge shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Minimum Monthly Bill

The base customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GP-N
(July 1983)

Availability

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

Character of Service

Alternating current, single or three-phase, 60 hertz. Under A below, power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Under B below, power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed up on.

Base Charges

A. If the customer's billing demand for the month and its contract demand, if any, are each 5,000 kW or less:

Customer Charge:	$9.05 per delivery point per month
Demand Charge:	First 50 kW of billing demand per month, no demand charge
	Next 50 kW of billing demand per month, at $6.32 per kW
	Excess over 100 kW of billing demand per month, at $6.52 per kW
Energy Charge:	First 15,000 kWh per month at 5.588 cents per kWh
	Next 85,000 " " " " 3.958 " " kWh
	Next 400,000 " " " " 3.113 " " kWh
	Additional " " " " 3.096 " " kWh

B. If either the customer's billing demand for the month or its contract demand is greater than 5,000 kW:

Customer Charge:	$1,500 per delivery point per month
Demand Charge:	$7.56 per kW of billing demand per month, plus an additional $7.56 per kW per month for each kW, if any, by which customer's billing demand exceeds its contract demand
Energy Charge:	2.703 cents per kWh per month

Adjustment

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Facilities Rental Charge Applicable Under B Above

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 33 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 87 cents per kW per month for the first 10,000 kW and 68 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

Determination of Demand

Distributor shall measure the demands in kW of all customers having loads in excess of 50 kW. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kW, (2) 70 percent of the next 45,000 kW, and (3) 90 percent of all kW in excess of 50,000 kW of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge, as adjusted, applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

The monthly bill under B above, excluding any facilities rental charges, shall not be less than the sum of (1) the base customer charge and (2) the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

Seasonal Service

Customers who contract for service on a seasonal basis shall be limited to 1,500 kW and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied.

For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of $10.00 so long as service is connected;

shall pay a minimum annual bill which shall in no case be less than (a) 10.50 cents per kWh of the maximum monthly consumption for customers whose billing demand does not exceed 50 kW or (b) 27.00 dollars per kW of the maximum billing demand established for customers whose billing demand is over 50 kW. Such amounts in cents per kWh and dollars per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect increases or decreases in the demand and energy charges in part A of this rate schedule.

Distributor may require minimum bills higher than those stated above.

Contract Requirement

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand requirements exceed 50 kW shall be required to execute contracts and such contracts shall be for an initial term of at least one year. If the customer's demand requirements are in excess of 5,000 kW, the contract shall be for an initial term of at least five years and any renewal or extension of the initial contract shall also be for a term of at least five years. If the customer's demand requirements are in excess of 15,000 kW, the contract shall be for an initial term of at least ten years and any renewal or extension of the initial contract shall be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, change, or replacement from time to time upon agreement between Distributor and TVA.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

TIME-OF-DAY GENERAL POWER RATE—SCHEDULE TGP (July 1983)

Availability

This rate shall be available for the firm power requirements of any customer with a firm contract demand greater than 5,000 kW provided customer enters into appropriate contractual arrangements with Distributor. Service under this rate schedule is for a term of not less than one year.

For a customer requesting that its onpeak contract demand be different from its offpeak contract demand, this rate shall be available only for (1) a new contract, (2) a replacement or renewal contract following expiration of the existing contract, or (3) a replacement or renewal contract or an amended existing contract in which the customer is increasing its demand requirements above the existing contract demand level, but in such case neither the new onpeak nor the new offpeak contract demand shall be lower than the customer's existing contract demand.

Character of Service

Alternating current, single or three-phase, 60 hertz. Power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Base Charges

Customer Charge: $1,500 per delivery point per month

Demand Charge: $7.56 per kW per month of the customer's onpeak billing demand, plus

$3.94 per kW per month for each kW, if any, by which the customer's offpeak billing demand exceeds its onpeak billing demand, plus an additional

$7.56 per kW per month for each kW, if any, of the amount by which (1) the customer's onpeak billing demand exceeds the customer's onpeak contract demand or (2) the customer's offpeak billing demand exceeds the customer's offpeak contract demand, whichever is higher

Energy Charge: 2.914 cents per kWh per month for all onpeak kWh

2.579 cents per kWh per month for all offpeak kWh

Adjustment

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Facilities Rental Charge

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 33 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 87 cents per kW per month for the first 10,000 kW and 68 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest onpeak or offpeak billing demand established during the latest 12-consecutive-month period or (2) the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

Determination of Onpeak and Offpeak Hours

Except for Saturdays and Sundays and the weekdays that are observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day, onpeak hours for each day shall be 10:00 a.m. to 10:00 p.m. during calendar months of May through September and from 6:00 a.m. to 12:00 noon and from 4:00 p.m. to 10:00 p.m. during all other calendar months. All other hours of each day and all hours of such excepted days shall be offpeak hours. Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. The onpeak and offpeak hours under this rate schedule are subject to change by TVA. In the event TVA determines that such changed onpeak and offpeak hours are appropriate, it shall so notify Distributor at least 12 months prior to the effective date of such changed hours, and Distributor shall promptly notify customer.

Determination of Onpeak and Offpeak Demands and Energy Amounts

The onpeak and offpeak kWh for any month shall be the energy amounts taken during the respective hours of the month designated under this rate schedule as onpeak and offpeak hours.

Distributor shall measure the onpeak and offpeak demands in kW of all customers taking service under this rate schedule. The onpeak demand and the offpeak demand for any month shall be determined separately for the respective hours of the month designated under this rate schedule as onpeak and offpeak hours and in each case shall be the higher of the highest average during any 30-consecutive-minute period of the month during such hours of (a) the load measured in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for

that part of the load over 5,000 kVA, and, except as provided below in this section, such amounts shall be used as the onpeak and offpeak billing demands. The onpeak billing demand shall in no case be less than the sum of (1) 40 percent of the first 5,000 kW, (2) 70 percent of the next 45,000 kW, and (3) 90 percent of all kW in excess of 50,000 kW of the higher of (a) the currently effective onpeak contract demand or (b) the highest onpeak billing demand established during the preceding 12 months. The offpeak billing demand shall in no case be less than the sum of (1) 40 percent of the first 5,000 kW, (2) 70 percent of the next 45,000 kW, and (3) 90 percent of all kW in excess of 50,000 kW of the higher of (a) the currently effective offpeak contract demand or (b) the highest offpeak billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under this rate schedule, excluding any facilities rental charges, shall not be less than the sum of (1) the base customer charge, (2) the base onpeak demand charge, as adjusted, applied to the higher of (a) the currently effective onpeak contract demand or (b) the highest onpeak billing demand established during the preceding 12 months, and (3) the base offpeak demand charge, as adjusted, applied to the amount, if any, by which the higher of (a) the currently effective offpeak contract demand or (b) the highest offpeak billing demand established during the preceding 12 months exceeds the higher of the onpeak contract demand or the onpeak billing demand, whichever is applicable under (2) above.

Distributor may require minimum bills higher than those stated above.

Contract Requirement

Distributor shall require contracts for all service provided under this rate schedule. The contract shall be for an initial term of at least five years and any renewal or extension of the initial contract shall also be for a term of at least five years. If the customer's demand requirements are in excess of 15,000 kW, the contract shall be for an initial term of at least ten years and any renewal or extension of the initial contract shall be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, change, or replacement from time to time upon agreement between Distributor and TVA.

After having received service for at least one year under this rate schedule, customer, subject to appropriate amendments in its power contract with Distributor, may receive service under the General Power Rate Schedule. In such case the term of the power contract shall remain the same and the contract demand for service under the General Power Rate Schedule shall not be less than the onpeak contract demand in effect when service was taken under this rate schedule.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

OUTDOOR LIGHTING RATE—SCHEDULE LP
(July 1983)

Availability

Available for service to street and park lighting systems, traffic signal systems, athletic field lighting installations (during prescribed use-period), and outdoor lighting for individual customers.

Service under this schedule is for a term of not less than one year.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Adjustment

The energy charge in Part A and Part B of this rate schedule shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

PART A—CHARGES FOR STREET AND PARK LIGHTING SYSTEMS, TRAFFIC SIGNAL SYSTEMS, AND ATHLETIC FIELD LIGHTING INSTALLATIONS

I. Energy Charge: 4.019 cents per kWh per month

II. Investment Charge

The annual investment charge shall be 5 percent of the installed cost to Distributor's electric system of the facilities devoted to street and park lighting service specified in this Part A. Such installed cost shall be recomputed on July 1 of each year, or more often if substantial changes in the facilities are made. Each month, one-twelfth of the then total annual investment charge shall be billed to the customer. If any part of the facilities has not been provided at the electric system's expense or if the installed cost of any portion thereof is reflected on the books of another municipality or agency or department, the annual investment charge shall be adjusted to reflect properly the remaining cost to be borne by the electric system.

Traffic signal systems and athletic field lighting installations shall be provided, owned, and maintained by and at the expense of the customer, except as Distributor may agree otherwise in accordance with the provisions of the paragraph next following in this Section II. The facilities necessary to provide service to such systems and installations shall be provided by and at the expense of Distributor's electric system, and the annual investment charge provided for first above in this Section II shall apply to the installed cost of such facilities.

When so authorized by policy duly adopted by Distributor's governing board, traffic signal systems and athletic field lighting installations may be provided, owned, and maintained by Distributor's electric system for the customer's benefit. In such cases Distributor may require reimbursement from the customer for a portion of the initial installed cost of any such system or installation and shall require payment by the customer of an investment charge sufficient to cover all of Distributor's costs (except reimbursed costs), including appropriate overheads, of providing, owning, and maintaining such system or installation; provided that, for athletic field lighting installations, such investment charge shall in no case be less than 12 percent per year of such costs. Said investment charge shall be in addition to the annual investment charge on the facilities necessary to provide service to such system or installation as provided for in the preceding paragraph. Replacement of lamps and related glassware for traffic signal systems and athletic field lighting installations provided under this paragraph shall be paid for under the provisions of paragraph A in Section III.

III. Replacement of Lamps and Related Glassware - Street and Park Lighting.

Customer shall be billed and shall pay for replacements as provided in paragraph A below, which shall be applied to all service for street and park lighting.

A. Distributor shall bill the customer monthly for such replacements during each month at Distributor's cost of materials, including appropriate storeroom expense.

B. Distributor shall bill the customer monthly for one-twelfth of the amount by which Distributor's cost of materials, including appropriate storeroom expense, exceeds the product of 3 mills multiplied by the number of kilowatthours used for street and park lighting during the fiscal year immediately preceding the fiscal year in which such month occurs.

Metering

For any billing month or part of such month in which the energy is not metered or for which a meter reading is found to be in error or a meter is found to have failed, the energy for billing purposes for that billing month or part of such month shall be computed from the rated capacity of the lamps (including ballast) plus 5 percent of such capacity to reflect secondary circuit losses, multiplied by the number of hours of use.

Use-Period for Athletic Field Lighting

Service to athletic field lighting installations under this rate schedule shall not commence earlier than 7 p.m., except that the customer may be permitted to use up to 10 percent (not to exceed 10 kW) of the total installed lighting capacity prior to commencement of such period. In the event the customer fails to restrict service in accordance with these requirements, it shall be billed under the General Power Rate Schedule.

Revenue and Cost Review

Distributor's costs of providing service under Part A of this rate schedule are subject to review at any time and from time to time to determine if Distributor's revenues from the charges being applied are sufficient to cover its costs. (Such costs, including applicable overheads, include, but are not limited to, those incurred in the operation and maintenance of the systems provided and those resulting from depreciation and payments for taxes, tax equivalents and interest.) If any such review discloses that revenues are either less or more than sufficient to cover said costs, Distributor shall revise the above investment charges so that revenues will be sufficient to cover said costs. Any such revision of the annual investment charge provided for first above in Section II of Part A of this rate schedule shall be by agreement between Distributor and TVA.

PART B—CHARGES FOR OUTDOOR LIGHTING FOR INDIVIDUAL CUSTOMERS

Charges Per Fixture Per Month

(a) Type of Fixture	*Lamp Size (Watts)*	*Lamp Size (Lumens)*	*Rated kWh*	*Facility Charge*
Mercury Vapor or Incandescent*	175	7,650	70	$ 2.71
	250	10,400	98	3.21
	400	19,100	155	4.06
	700	33,600	266	5.48
	1,000	47,500	378	6.98
High Pressure Sodium	70	4,860	31	3.85
	100	8,550	42	4.12
	150	14,400	63	4.24
	200	18,900	82	4.61
	250	23,000	105	4.87
	400	45,000	165	5.78
	1,000	126,000	385	9.24

Low Pressure Sodium	55	7,650	32	3.87
	90	12,750	53	6.44
	135	22,000	75	8.49
	180	33,000	93	9.64

*Mercury vapor and incandescent fixtures not offered for new service.

(b) Energy Charge: For each lamp size under (a) above, 4.019 cents per rated kWh per month.

Adjustment of Facility Charges

Each Facility Charge shown above may be adjusted by Distributor by an amount not to exceed the greater of $1 or 20 percent of said charge.

Additional Facilities

The above charges in this Part B are limited to service from a photoelectrically controlled standard lighting fixture installed on a pole already in place. If the customer wishes to have the fixture installed at a location other than on a pole already in place, Distributor may apply an additional monthly charge not to exceed $3 per pole for additional poles required to serve the fixture from Distributor's nearest available source.

If Distributor wishes to make additional lamp sizes and/or types of fixtures available to individual customers under this Part B, appropriate rated kWh values and Facility Charges will be established by TVA.

Lamp Replacements

Replacements of lamps and related glassware will be made in accordance with replacement policies of Distributor without additional charge to the customer.

Special Outdoor Lighting Installations

When so authorized by policy duly adopted by Distributor's governing board, special outdoor lighting installations (other than as provided for under Parts A and B above) may be provided, owned, and maintained by Distributor's electric system. In such cases Distributor may require reimbursement from the customer for a portion of the initial installed cost of any such installation and shall require payment by the customer of monthly charges sufficient to cover all of Distributor's costs (except reimbursed costs), including appropriate overheads, of providing, owning, and maintaining such installations, and making lamp replacements.

Service is subject to Rules and Regulations of Distributor.

SCHEDULE OF TERMS AND CONDITIONS

1. *Financial and Accounting Policy*. Board agrees to be bound by the following statement of financial and accounting policy:

(a) Except as hereinafter provided, Board shall administer, operate, and maintain the electric system as a separate entity in all respects, shall establish and maintain a separate fund for the revenues from electric operations, and shall not directly or indirectly mingle electric system funds or accounts, or otherwise consolidate or combine the financing of the electric system, with those of any other operations of Board or Municipality. The restrictions of this subsection include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues, credit or property to other operations of Board or Municipality, the purchase or payment of, or providing security for, indebtedness or other obligations applicable to such other operations, and payment of greater than standardized or market prices for property or services from other operations of Board or Municipality. In the interest of efficiency and economy, Board may use property and personnel jointly for the electric system and other operations, subject to agreement between Board and TVA as to appropriate allocations, based on direction of effort, relative use, or similar standards, of any and all joint investments, salaries and other expenses, funds, or use of property or facilities.

(b) Board shall keep the general books of accounts of the electric system according to the Federal Energy Regulatory Commission Uniform System of Accounts. Board shall allow the duly authorized agents of TVA to have free access at all reasonable times to all books and records relating to electric system operations. TVA may provide advisory accounting service, in reasonable amount, to help assure the proper setting up and administering of such accounts.

(c) Board shall supply TVA not later than August 15 of each year with an annual financial report in such form as may be requested, of electric system transactions for the preceding year ending June 30 and of electric system assets and liabilities as of June 30. Board shall furnish promptly to TVA each month such printed operating, statistical, and financial reports relating to electric system operations as may reasonably be requested by TVA. (Where information relating to such statistical reports is maintained on computers Board will also provide such statistical report information by a computer medium, working with TVA in developing a satisfactory format.) In the event of failure by Board to furnish promptly any such reports, TVA, following written notification to Board of intention to do so, may with its own staff perform at Board's expense all work necessary to collect and process the data necessary to provide the information that should have been furnished in the reports.

(d) Board shall have the electric system financial statements examined annually by independent certified public accountants in accordance with generally accepted auditing standards and shall publish the financial statements, along with the auditor's certificate, in a newspaper of general circulation in the area.

2. *Payments to Taxing Jurisdictions.*

(a) Board shall pay each year from the revenues from its electric operations to the State, each county, each school district, each municipality, and each other special taxing jurisdiction in which it operates its electric system only an amount in lieu of taxes (sometimes referred to herein as "tax equivalents"), which shall not exceed the amount to be calculated and paid in accordance with the provisions of KRS 96.820, as amended, which are in effect on the date of this Power Contract.

(b) The tax equivalents provided for above are in lieu of all taxation or other charges in respect of electric system property, franchises, and operations by the respective taxing jurisdictions in which Board operates its electric system, except as otherwise provided in subsection (4) of the above-mentioned KRS 96.820. Municipality shall not directly or indirectly, voluntarily or involuntarily, impose, collect, or receive for nonelectric system purposes the proceeds from, any tax or other charge not expressly provided for in this contract upon the property, franchises, receipts, or operations of the electric system or upon the sale, purchase, use or consumption of electric energy supplied thereby, and, except to the extent prevented by law, Municipality shall take all such steps as may be available to it to prevent any other taxing jurisdiction from imposing, collecting, or receiving the proceeds from, any similar tax or charge other than such tax equivalent payable to such taxing jurisdictions.

In the event Municipality directly or indirectly imposes, collects, or receives for nonelectric system purposes the proceeds from such a tax or charge in whole or in part, or fails or is unable to prevent any other taxing jurisdiction from imposing, collecting, or receiving the proceeds from, any similar tax or charge, the tax equivalent which Municipality, or such other taxing jurisdiction, as the case may be, would otherwise be paid by Board under this section shall be reduced each year either prior to payment or, if this is judicially determined to be in violation of law, by refund, upon which refund any payment in full of such tax equivalent shall be conditioned, by the aggregate amount of the tax or charge so imposed, collected, or received by Municipality or such taxing jurisdiction. Nevertheless, any such reduction in tax equivalent payments shall in no way prejudice the rights of TVA to enforce, by whatever means available to it, the provisions of this subsection or any other provision or provisions of this contract which may be violated by the imposition, collection, or receipt of the proceeds from any such tax or charge.

(c) Nothing herein shall be construed to prevent Board from (1) collecting from its consumers and paying over to the State the amount of any State tax on sales or consumption of electric energy required by a State revenue law of general application throughout the Commonwealth of Kentucky, and (2) collecting from its consumers and paying over to any school district in which Board operates its electric system and which elects to apply a utility gross receipts license tax for schools to all utility services, as permitted by a State revenue law of general application throughout the Commonwealth of Kentucky, the amount of such utility gross receipts license tax.

(d) The foregoing provisions of this section 2 are not intended to establish any precedent of any kind with respect to amendment of, or waiver of reliance upon, the provisions of the Power Contract in the event of any future impairment of the parties' obligations under the Power Contract due to any future enactment of the General Assembly of the Commonwealth of Kentucky.

3. *Board's Lines and Equipment.* All lines and substations from the point or points of delivery (as defined in section 3 of the contract of which these Terms and Conditions are a part), and all electrical equipment, except metering equipment of TVA, located on Board's side of such point or points of delivery shall be furnished and maintained by Board. Board's electrical facilities shall conform to accepted modern standards. Failure to inspect for or to object to defects in such facilities shall not render TVA liable or responsible for any loss or damage resulting therefrom or from violation of the contract of which these Terms and Conditions are a part, or from accidents which may occur upon Board's premises.

4. *Responsibility for Property of the Other Party.* All equipment furnished by each party shall be and remain its property. Each party shall exercise proper care to protect any property of the other on its premises and shall bear the cost of any necessary repairs or replacements arising from its neglect to exercise such proper care. The authorized employees of each party shall have access at all reasonable times to any of its facilities on the other's premises, for such purposes as reading its meters and testing, repairing, or replacing its equipment.

5. *Measurement of Demand, Energy, and Power Factor.* TVA will, at its own expense, install and maintain or cause to be installed and maintained the necessary metering equipment for measuring the maximum demand and the amount of energy furnished Board at each point of delivery. If, for economy or convenience, such equipment is located elsewhere than at the point of delivery, the readings shall be adjusted to reflect the quantities delivered at the point of delivery and such adjusted amounts shall be deemed to be the measured amounts for purposes of billing under Wholesale Power Rate—Schedule WP. TVA may also, at its option, provide equipment to determine power factor. Board shall permit the use of its housing facilities, ducts, and supports for TVA's metering equipment.

Board shall have the right at its own expense to install, equip, and maintain check meters in a mutually satisfactory location.

TVA will make periodical tests and inspections of its metering equipment in order to maintain a high standard of accuracy, and will make additional tests or inspections of its metering equipment at the request of Board. Board shall have the right to have representatives present at tests and meter readings. If any test shows that the metering equipment is accurate within two percent no adjustment of past readings will be made and, if the test was requested by Board, the testing charge will be paid by Board; all other tests shall be at TVA's expense. In case any test shows the meter reading to be in error more than two percent, a corresponding adjustment shall be made in Board's bills for any agreed period of error; in the absence of such agreement, the adjustment shall be limited to the current billing period. Should the metering equipment fail, the deliveries will be estimated by TVA from the best information available.

6. *Billing.* Payment for power and energy used in any monthly period shall become due 15 days after TVA's meter reading date or 7 days after the date of bill from TVA, whichever is later. To any amount remaining unpaid 15 days after the due date, there shall be added a charge equal to the sum of (1) $150 and (2) an amount calculated in the following manner: the average of the interest rates payable on TVA's short-term borrowings (having maturities of less than one year) made during the calendar month preceding the month of the date of bill is to be applied on a daily basis to the unpaid portion of the bill for each day of the period from and after the due date to and including the date of payment in full. (In the event that TVA made no short-term borrowings during such preceding calendar month, the amount used in making the calculation shall be the average effective interest rate on 91-day United States Treasury bills (based on the average of the closing bid and asked prices) during such preceding calendar month, plus 1/8 of one percent.) TVA will prepare and send to Board appropriate invoices for such added charge, which shall be due and payable upon receipt. Upon failure of Board to pay for the power and energy used in any monthly period within 60 days after due date, TVA shall have the right, upon reasonable notice, to discontinue the supply of power and energy and refuse to resume delivery so long as any part thereof remains unpaid. Discontinuance of supply under this section will not relieve Board of its liability for the agreed minimum monthly payment during the time the supply of energy is so discontinued.

TVA shall allow Board an early payment credit (to be applied on its subsequent monthly bill) for any month for which Board makes payment to TVA for power and energy use in time for TVA to receive and deposit such payment on or before the due date. The amount of the early payment credit shall be arrived at by applying for each day of the 15-day period following the due date the average of the interest rates used in calculating the amount in (2) above to the amount of such early payment.

All payments shall be made to TVA at its offices at Chattanooga, Tennessee, or at such other place as TVA may from time to time designate. For purposes of billing, the term "month" in Wholesale Power Rate—Schedule WP and the term "monthly period" in this section are

defined as the period from the meter reading time in one month to the meter reading time in the next month; provided, however, that with respect to the determination of billing demand said period shall begin and end at midnight prior to said meter reading times. Subject to such changes in TVA's meter reading scheduling as it deems necessary, meters shall be read on the same day of each month.

7. *Adjustment and Change of Wholesale Rate and Resale Rates.* The wholesale rate and resale rates provided in sections 4 and 5 of the contract shall be subject to adjustment and change from time to time in accordance with this section in order to assure TVA's ability to continue to supply the power requirements of Board and TVA's other customers on a financially sound basis with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible, and to assure Board's ability to continue to operate on a financially sound basis.

Wholesale power rates and charges shall be sufficient to produce revenue from TVA's wholesale power customers which, together with revenue from its other power customers, will assure TVA's ability each fiscal year to:

(a) meet the requirements of the TVA Act including particularly section 15d(f) thereof which provides in part that:

> The Corporation shall charge rates for power which will produce gross revenues sufficient to provide funds for operation, maintenance, and administration of its power system; payments to States and counties in lieu of taxes; debt service on outstanding bonds, including provision and maintenance of reserve funds and other funds established in connection therewith; payments to the Treasury as a return on the appropriation investment pursuant to subsection (e) hereof; payment to the Treasury of the repayment sums specified in subsection (e) hereof; and such additional margin as the Board may consider desirable for investment in power system assets, retirement of outstanding bonds in advance of maturity, additional reduction of appropriation investment, and other purposes connected with the Corporation's power business, having due regard for the primary objectives of the Act, including the objective that power shall be sold at rates as low as are feasible.

and (b) meet all tests and comply with the provisions of TVA's bond resolutions as from time to time adopted and amended in such a manner as to assure its ability to continue to finance and operate its power program at the lowest feasible cost.

Adjustment. TVA may review with Board or its representative, at least 30 days prior to the first day of any of the months of October, January, April, or July pertinent data concerning the current and anticipated conditions and costs affecting TVA's operations and the adequacy of its revenues from both wholesale and other power customers to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section; provided, however, that at least one such review shall be conducted each fiscal year; and provided further, that no adjustment shall be made as hereinafter provided in this paragraph unless such a review has been conducted within the 120 days preceding the effective date of such adjustment. Following any such review TVA, at least 15 days prior to the first day of whichever of the aforesaid months follows next, will determine what adjustments, if any, are required in the demand and energy charges provided for in the then effective Schedule of Rates and Charges to assure (a) revenues to TVA adequate to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section and (b) revenues to Board adequate to compensate for changes, if any, in the cost of power to Board resulting from adjustments to Wholesale Power Rate—Schedule WP made under the provisions of this section. Such adjustments as TVA determines are required shall be incorporated by TVA in Adjustment Addendums to Wholesale Power Rate—Schedule WP and to the resale schedules of the Schedule of Rates and Charges, which Adjustment Addendums shall be promptly published by TVA by mailing the same to Board by registered mail and shall be applicable to bills rendered from meter readings taken for TVA and Board billing cycles scheduled to begin on or after the effective date of said Adjustment Addendum; provided that any adjustment determined by TVA to be necessary as hereinbefore provided shall not be conditioned upon or be postponed pending the review provided for in the first sentence of this paragraph or the completion of such review. Board shall pay for power and energy in accordance with Wholesale Power Rate—Schedule WP of the Schedule of Rates and Charges as so adjusted from time to time by any such Adjustment Addendums published by TVA as above provided, and shall adjust the charges in the resale schedules of the Schedule of Rates and Charges applicable to its customers in accordance with such Adjustment Addendums and the provisions of such resale schedules.

Change. Whenever any adjustment or adjustments made under the preceding paragraph, or the costs of TVA's service to Board and TVA's other customers, or the costs of Board's service to customers, or any other factors are believed by either party to warrant general or major changes in the Schedule of Rates and Charges, either party or its representative may request that the parties or their representatives meet and endeavor to reach agreement upon such changes. If within 180 days after any request for such changes the representatives of the parties for any reason have not agreed upon such changes, TVA may thereafter, upon not less than 30 days' notice by registered mail in which the basis for each change is set forth, place into effect such changes in the Schedule of Rates and Charges as it determines will enable TVA to carry out the objectives of the TVA Act and meet the requirements and tests and comply with the provisions of its bond resolutions as outlined in the second paragraph of this section and enable Board to continue on a financially sound basis as provided in section 5(c) of the contract and Board shall thereafter pay and charge for power and energy in accordance with the Schedule of Rates and Charges as so changed; provided, however, that unless the parties agree otherwise, any adjustment determined by TVA to be required under the provisions of the preceding paragraph of this section shall become effective without reference to, and shall not be delayed or postponed pending completion of, any actions under this paragraph.

8. *Compensation for Additional Tax or in Lieu of Tax Payments.* It is recognized that among the costs which the rates specified in the Wholesale Power Rate—Schedule WP were designed to cover are annual payments in lieu of taxes by TVA in an aggregate sum equivalent to 5 percent of its gross proceeds from sales of power exclusive of sales to agencies of the Government of the United States. If at any time TVA is compelled by law to pay during any fiscal year of TVA taxes and payments in lieu of taxes in an aggregate amount which shall exceed 5 percent of such proceeds, TVA may, if it so elects, increase the billing amounts during the succeeding fiscal year by the number of percentage points (to the nearest 0.1 point) by which said aggregate amount exceeded 5 percent of said proceeds.

9. *Interference with Availability or Use of Power.* Neither TVA nor Board shall be liable for damages or breach of contract when and to the extent that the availability or use of power, respectively, is interrupted, curtailed, or interfered with or the performance of any other obligation hereunder is prevented by circumstances reasonably beyond the control of the party affected, such as (without limiting the generality of the foregoing) acts of God, strikes, accidents, laws of the United States or any State, regulations or orders of governmental agencies, judicial decrees, inability to obtain or install equipment, lack by TVA of necessary Congressional appropriations or legislative authorizations, or other inability of either party to obtain necessary financing. Acts of God shall be deemed to include the effects of drought if the drought is of such severity as to have a probability of occurrence of less than once in 40 years. Each party shall advise the other at the earliest practicable date of any circumstances which are likely to result in the interruption, curtailment, or interference with the performance of any obligation hereunder.

TVA will furnish electric service hereunder continuously so far as reasonable diligence will permit but TVA may interrupt, curtail, or otherwise interfere with service to Board hereunder in the course of installation, operation, or maintenance of TVA's facilities, or for the purpose of safeguarding life or property, or otherwise, and in such event shall not be liable for damages or breach of contract. TVA, as far as reasonably possible, shall avoid such interruption, curtailment, or interference for routine operating purposes or repairs, and shall give such prior notice of those it deems necessary as may be reasonable under the circumstances.

10. *Additional Load.* The transmission system, transformers, meters, and equipment used for delivery of power to Board have limited capacity and unless otherwise agreed no addition shall be made to Board's load which would result in a total load at any delivery point in excess of the maximum available from the then existing facilities at said delivery point.

11. *Voltage and Load Fluctuations Caused by Board.* Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. TVA may require Board at its own expense to install suitable apparatus to reasonably limit such fluctuations or disturbances.

12. *Balancing of Loads.* Board shall take and use power in such manner that the current on the most heavily loaded phase shall not exceed the current on either of the other phases by more than 20 percent. In the event that any check indicates a greater unbalance between phases, Board agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected by Board within 60 days, or such longer period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and to compute the billing demand as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with its current coil in that phase wire and its potential coil connected between that phase wire and the neutral voltage point.

13. *Notice of Trouble.* Board shall notify TVA immediately should the service be unsatisfactory for any reason or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if oral, should be confirmed in writing.

14. *Submetering.* Board shall not sell electricity for submetering or resale.

15. *Conflict.* In case of conflict between any express provision of the body of this contract or any provision of the Schedule of Rates and Charges and these Terms and Conditions, the former shall govern.

16. *Section Headings.* The section headings in this contract are only for convenience of reference and are not a part of the contract between the parties.

SCHEDULE OF RULES AND REGULATIONS

1. *Application for Service.* Each prospective Customer desiring electric service may be required to sign Distributor's standard form of application for service or contract before service is supplied by the Distributor.

2. *Deposit.* A deposit or suitable guarantee approximately equal to twice the average monthly bill may be required of any Customer before electric service is supplied. Distributor may at its option return deposit to Customer after one year. Upon termination of service, deposit may be applied by Distributor against unpaid bills of Customer, and if any balance remains after such application is made, said balance shall be refunded to Customer.

3. *Point of Delivery.* The point of delivery is the point, as designated by Distributor, on Customer's premises where current is to be delivered to building or premises. All wiring and equipment beyond this point of delivery shall be provided and maintained by Customer at no expense to Distributor.

4. *Customer's Wiring—Standards.* All wiring of Customer must conform to Distributor's requirements and accepted modern standards, as exemplified by the requirements of the National Electrical Safety Code and the National Electrical Code.

5. *Inspections.* Distributor shall have the right, but shall not be obligated, to inspect any installation before electricity is introduced or at any later time, and reserves the right to reject any wiring or appliances not in accordance with Distributor's standards; but such inspection or failure to inspect or reject shall not render Distributor liable or responsible for any loss or damage resulting from defects in the installation, wiring, or appliances, or from violation of Distributor's rules, or from accidents which may occur upon Customer's premises.

6. *Underground Service Lines.* Customers desiring underground service lines from Distributor's overhead system must bear the excess cost incident thereto. Specifications and terms for such construction will be furnished by Distributor on request.

7. *Customer's Responsibility for Distributor's Property.* All meters, service connections, and other equipment furnished by Distributor shall be, and remain, the property of Distributor. Customer shall provide a space for and exercise proper care to protect the property of Distributor on its premises, and, in the event of loss or damage to Distributor's property arising from neglect of Customer to care for same, the cost of the necessary repairs or replacements shall be paid by Customer.

8. *Right of Access.* Distributor's identified employees shall have access to Customer's premises at all reasonable times for the purpose of reading meters, testing, repairing, removing, or exchanging any or all equipment belonging to Distributor.

9. *Billing.* Bills will be rendered monthly and shall be paid at the office of Distributor or at other locations designated by Distributor. Failure to receive bill will not release Customer from payment obligation. Should bills not be paid by due date specified on bill, Distributor may at any time thereafter, upon five (5) days' written notice to Customer, discontinue service. Bills paid after due date specified on bill may be subject to additional charges. Should the due date of bill fall on a Sunday or holiday, the business day next following the due date will be held as a day of grace for delivery of payment. Remittances received by mail after the due date will not be subject to such additional charges if the incoming envelope bears United States Postal Service date stamp of the due date or any date prior thereto.

10. *Discontinuance of Service by Distributor.* Distributor may refuse to connect or may discontinue service for the violation of any of its Rules and Regulations, or for violation of any of the provisions of the Schedule of Rates and Charges, or of the application of Customer or contract with Customer. Distributor may discontinue service to Customer for the theft of current or the appearance of current theft devices on the premises of Customer. The discontinuance of service by Distributor for any causes as stated in this rule does not release Customer from his obligation to Distributor for the payment of minimum bills as specified in application of Customer or contract with Customer.

11. *Connection, Reconnection, and Disconnection Charges.* Distributor may establish and collect standard charges to cover the reasonable average cost, including administration, of connecting or reconnecting service, or disconnecting service as provided above. Higher charges may be established and collected when connections and reconnections are performed after normal office hours, or when special circumstances warrant.

12. *Termination of Contract by Customer.* Customers who have fulfilled their contract terms and wish to discontinue service must give at least three (3) days' written notice to that effect, unless contract specifies otherwise. Notice to discontinue service prior to expiration of contract term will not relieve Customer from any minimum or guaranteed payment under any contract or rate.

13. *Service Charges for Temporary Service.* Customers requiring electric service on a temporary basis may be required by Distributor to pay all costs for connection and disconnection incidental to the supplying and removing of service . This rule applies to circuses, carnivals, fairs, temporary construction, and the like.

14. *Interruption of Service.* Distributor will use reasonable diligence in supplying current, but shall not be liable for breach of contract in the event of, or for loss, injury, or damage to persons or property resulting from, interruptions in service, excessive or inadequate voltage, single-phasing, or otherwise unsatisfactory service, whether or not caused by negligence.

15. *Shortage of Electricity.* In the event of an emergency or other condition causing a shortage in the amount of electricity for Distributor to meet the demand on its system, Distributor may, by an allocation method deemed equitable by Distributor, fix the amount of electricity to be made available for use by Customer and/or may otherwise restrict the time during which Customer may make use of electricity and the uses which Customer may make of electricity. If such actions become necessary, Customer may request a variance because of unusual circumstances including matter adversely affecting the public health, safety and welfare. If Customer fails to comply with such allocation or restriction, Distributor may take such remedial actions as it deems appropriate under the circumstances including temporarily disconnecting electric service and charging additional amounts because of the excess use of electricity. The provisions of the Section entitled *Interruption of Service* of this Schedule of Rules and Regulations are applicable to any such allocation or restriction.

16. *Voltage Fluctuations Caused by Customer.* Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances to Distributor's system. Distributor may require Customer, at his own expense, to install suitable apparatus which will reasonably limit such fluctuations.

17. *Additional Load.* The service connection, transformers, meters, and equipment supplied by Distributor for each Customer have definite capacity, and no addition to the equipment or load connected thereto will be allowed except by consent of Distributor. Failure to give notice of additions or changes in load, and to obtain Distributor's consent for same, shall render Customer liable for any damage to any of Distributor's lines or equipment caused by the additional or changed installation.

18. *Standby and Resale Service.* All purchased electric service (other than emergency or standby service) used on the premises of Customer shall be supplied exclusively by Distributor, and Customer shall not, directly or indirectly, sell, sublet, assign, or otherwise dispose of the electric service or any part thereof.

19. *Notice of Trouble.* Customer shall notify Distributor immediately should the service be unsatisfactory for any reason, or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if verbal, should be confirmed in writing.

20. *Non-Standard Service.* Customer shall pay the cost of any special installation necessary to meet his peculiar requirements for service at other than standard voltages, or for the supply of closer voltage regulation than required by standard practice.

21. *Meter Tests.* Distributor will, at its own expense, make periodical tests and inspections of its meters in order to maintain a high standard of accuracy. Distributor will make additional tests or inspections of its meters at the request of Customer. If tests made at Customer's request show that the meter is accurate within two percent (2%), slow or fast, no adjustment will be made in Customer's bill, and Distributor's standard testing charge will be paid by Customer. In case the test shows meter to be in excess of two percent (2%) fast or slow, an adjustment shall be made in Customer's bill over a period of not over thirty (30) days prior to date of such test, and cost of making test shall be borne by Distributor.

22. *Relocation of Outdoor Lighting Facilities.* Distributor shall, at the request of Customer, relocate or change existing Distributor-owned equipment. Customer shall reimburse Distributor for such changes at actual cost including appropriate overheads.

23. *Billing Adjusted to Standard Periods.* The demand charges and the blocks in the energy charges set forth in the rate schedules are based on billing periods of approximately one month.

In the case of the first billing of new accounts (temporary service, cotton gins, and other seasonal customers excepted) and final billings of all accounts (temporary service excepted) where the period covered by the billing involves fractions of a month, the demand charges and the blocks of the energy charge will be adjusted to a basis proportionate with the period of time during which service is extended.

24. *Home Energy Surveys.* All dwellings receiving electric service from Distributor are eligible for a free energy survey under the Revised Home Insulation Program. As part of the survey information will be furnished on energy improvements and practices expected to provide energy savings at the dwelling. A list of area contractors that install the improvements under the Revised Home Insulation Program will also be furnished.

25. *Revised Home Insulation Program.* Distributor as part of its electric service will arrange to make available funds to eligible electric customers for energy improvements identified as cost effective in the survey under the Revised Home Insulation Program being conducted by Distributor and TVA. Eligible customers must sign repayment agreements under which the funds made available will be repaid to Distributor. Monthly repayment amounts due for this service will be included as part of the electric bills from Distributor. Except as otherwise agreed in the repayment agreement, the provisions of the section entitled "Billing" of this Schedule of Rules and Regulations shall apply to bills for the amounts made available by Distributor as part of its electric service for weatherization measures.

26. *Scope.* This Schedule of Rules and Regulations is a part of all contracts for receiving electric service from Distributor, and applies to all service received from Distributor, whether the service is based upon contract, agreement, signed application, or otherwise. A copy of this schedule, together with a copy of Distributor's Schedule of Rates and Charges, shall be kept open to inspection at the offices of Distributor.

27. *Revisions.* These Rules and Regulations may be revised, amended, supplemented, or otherwise changed from time to time, without notice. Such changes, when effective, shall have the same force as the present Rules and Regulations.

28. *Conflict.* In case of conflict between any provision of any rate schedule and the Schedule of Rules and Regulations, the rate schedule shall apply.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And CITY OF BRISTOL, TENNESSEE

THIS CONTRACT, made and entered into as of the 27th day of June, 1985, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and CITY OF BRISTOL, TENNESSEE (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the State of Tennessee;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality owns an electric system which is managed and operated by a board of public utilities (hereinafter called "Board"), and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Municipality's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Municipality agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Municipality agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Municipality at the delivery point or points specified in or hereafter established under section 3 hereof and Municipality shall take and distribute the electric power required for service to Municipality's customers. Municipality shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Municipality and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Municipality shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Municipality to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Municipality would receive the energy for such consumer if it were served by Municipality. The supply of power by TVA to Municipality for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Municipality under said resale rate schedules, and the contract for such resale between Municipality and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Municipality and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party

is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Municipality shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Municipality regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Municipality would be entitled to serve hereunder, TVA shall notify Municipality of the time schedule upon which the additional power required for such service could be made available to Municipality at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Municipality shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Municipality, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Municipality which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Municipality to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Municipality.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Municipality to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point	*Normal Wholesale Delivery Voltage*
161-kV side of the Bluff City 161-kV Substation	161,000

It is recognized that load growth and development and the maintenance of high quality service in Municipality's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Municipality and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Municipality is referred to as "Distributor." Subject to the other provisions of this contract, Municipality shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WP.

The payments to be made hereunder shall be made solely and exclusively from the revenues of the electric system and shall not be a charge upon Municipality's general funds.

5. *Resale Rates.* In distributing electric energy in the area served by Municipality, the parties agree as follows:

(a) Municipality agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Municipality agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RP-H, GP-H, TGP, and LP of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Municipality shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RP Schedule, and (2) 10 days, for customers served under the GP and TGP Schedules, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Municipality for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), Board and TVA shall agree upon, and Municipality shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, Board and TVA shall agree upon a reduction in said rates and charges, and Municipality shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Municipality agrees to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;

(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;

(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and

(4) From any revenues then remaining, tax equivalent payments into Municipality's general funds, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Municipality will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Municipality will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Municipality will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Municipality will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Municipality hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Municipality is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Municipality at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Municipality, to the extent of their capacity in excess of the requirements of Municipality, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Municipality the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Municipality by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Municipality from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Municipality without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated June 30, 1965, and numbered TV-27013A, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, between the parties hereto, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) Sections 11 and 12 of Lease and Amendatory Agreement TV-27013A, Supplement No. 1, dated June 30, 1965, setting out the parties' rights and obligations relative to arrangements involving (1) joint use of certain transmission line facilities and (2) TVA's use for telemetering and communication purposes of transmission line conductors leased and subsequently purchased by Municipality from TVA;

(b) The third paragraph of section 4 and the second paragraph of section 5 of Lease and Amendatory Agreement TV-27013A, Supplement No. 6, dated December 17, 1969, setting out the parties' rights and obligations relative to (1) arrangements for emergency connection of certain transmission facilities leased and subsequently purchased by Municipality from TVA to transmission facilities of Bristol, Virginia, and (2) station service arrangements and TVA's use as a spare-line breaker of low-side bank breaker No. 614 (leased and subsequently purchased by Municipality from TVA) at the Bluff City 161-kV Substation;

(c) Section 2 of Agreement TV-27013A, Supplement No. 8, dated October 28, 1970, setting out the parties' rights and obligations relative to arrangements for emergency connection of certain transmission facilities leased and subsequently purchased by Municipality from TVA to transmission facilities of Bristol, Virginia;

(d) Section 5 of Agreement TV-27013A, Supplement No. 9, dated February 11, 1971, setting out the parties' rights and obligations relative to the attachment of TVA's communication facilities to transmission line facilities leased and subsequently purchased by Municipality from TVA;

(e) The second paragraph of section 1, the second and third paragraphs of section 2, and the second paragraph of section 4 of Agreement TV-27013A, Supplement No. 10, dated March 25, 1971, and the fifth paragraph of section 1 and the second and third paragraphs of section 2 of Lease and Amendatory Agreement TV-27013A, Supplement No. 18, dated January 18, 1979, setting out the parties' rights and obligations relative to (1) metering arrangements at the Ruthton and King College Substations, (2) arrangements for emergency connection of certain transmission facilities leased and subsequently purchased by Municipality from TVA to transmission facilities of Bristol, Virginia, and (3) arrangements involving transmission lines leased and subsequently purchased by Municipality from TVA;

(f) Section 3 of Agreement TV-27013A, Supplement No. 16, dated August 18, 1976, relative to application of a monthly facilities rental credit to billings under the Wholesale Power Rate Schedule; and

(g) Letter Agreement TV-27013A, Supplement No. 28, dated November 14, 1983, between the parties hereto relative to the application by Municipality of an alternative seasonal service rate schedule on a temporary basis.

All references in said agreements, or portions thereof, to the power contract dated June 30, 1965, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of June 30, 1985, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Municipality should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Municipality unless Municipality agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest:
(s) Linda T. Parker
Secretary to the Board

By (s) R. Michael Browder
General Manager

CITY OF BRISTOL, TENNESSEE
By Board of Public Utilities
By (s) Conley S. Scott, Jr.
Chairman

Attest:
(s) Linda T. Parker
Secretary to the Board

Approved:
CITY OF BRISTOL, TENNESSEE
By (s) Ewell L. Easley
Mayor

Attest:
(s) Illegible
Recorder

TENNESSEE VALLEY AUTHORITY
By (s) W. F. Willis
General Manager

Attest:
(s) Helen S. Drummer
Assistant Secretary
OGC (s) SDK

Approved by TVA
Board of Directors
JUN 18 1985
(s) HSD
Assistant Secretary

RESIDENTIAL RATE—SCHEDULE RP-H
(July 1983)

Availability

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing therein may be served under this rate. Where a portion of a dwelling is used regularly for the

conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate Schedule; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate Schedule.

Character of Service

Alternating current, single-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

Base Charges

Customer Charge: $2.20 per month

Energy Charge: First 2,000 kWh per month at 4.405 cents per kWh
Additional " " " " 5.061 " " kWh

Adjustment

The base energy charge shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Minimum Monthly Bill

The base customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GP-H
(July 1983)

Availability

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

Character of Service

Alternating current, single or three-phase, 60 hertz. Under A below, power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Under B below, power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Base Charges

A. If the customer's billing demand for the month and its contract demand, if any, are each 5,000 kW or less:

Customer Charge: $7.20 per delivery point per month

Demand Charge:
First 50 kW of billing demand per month, no demand charge
Next 50 kW of billing demand per month, at $5.27 per kW
Excess over 100 kW of billing demand per month, at $5.57 per kW

Energy Charge:

First	15,000	kWh	per	month	at	5.157	cents	per kWh
Next	85,000	"	"	"	"	3.554	"	" kWh
Next	400,000	"	"	"	"	3.099	"	" kWh
Additional		"	"	"	"	3.082	"	" kWh

B. If either the customer's billing demand for the month or its contract demand is greater than 5,000 kW:

Customer Charge: $1,500 per delivery point per month

Demand Charge: $7.56 per kW of billing demand per month, plus an additional $7.56 per kW per month for each kW, if any, by which customer's billing demand exceeds its contract demand

Energy Charge: 2.703 cents per kWh per month

Adjustment

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Facilities Rental Charge Applicable Under B Above

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 33 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 87 cents per kW per month for the first 10,000 kW and 68 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

Determination of Demand

Distributor shall measure the demands in kW of all customers having loads in excess of 50 kW. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kW, (2) 70 percent of the next 45,000 kW, and (3) 90 percent of all kW in excess of 50,000 kW of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge, as adjusted, applied to the higher of (a)

the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

The monthly bill under B above, excluding any facilities rental charges, shall not be less than the sum of (1) the base customer charge and (2) the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

Seasonal Service

Customers who contract for service on a seasonal basis shall be limited to 1,500 kW and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of $8.00 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 10.00 cents per kWh of the maximum monthly consumption for customers whose billing demand does not exceed 50 kW or (b) 24.00 dollars per kW of the maximum billing demand established for customers whose billing demand is over 50 kW. Such amounts in cents per kWh and dollars per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect increases or decreases in the demand and energy charges in part A of this rate schedule.

Distributor may require minimum bills higher than those stated above.

Contract Requirement

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand requirements exceed 50 kW shall be required to execute contracts and such contracts shall be for an initial term of at least one year. If the customer's demand requirements are in excess of 5,000 kW, the contract shall be for an initial term of at least five years and any renewal or extension of the initial contract shall also be for a term of at least five years. If the customer's demand requirements are in excess of 15,000 kW, the contract shall be for an initial term of at least ten years and any renewal or extension of the initial contract shall be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, change, or replacement from time to time upon agreement between Distributor and TVA.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

SCHEDULE OF TERMS AND CONDITIONS

1. *Financial and Accounting Policy.* Municipality agrees to be bound by the following statement of financial and accounting policy:

(a) Except as hereinafter provided, Municipality shall administer, operate, and maintain the electric system as a separate department in all respects, shall establish and maintain a separate fund for the revenues from electric operations, and shall not directly or indirectly mingle electric

system funds or accounts, or otherwise consolidate or combine the financing of the electric system, with those of any other of its operations. The restrictions of this subsection include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues, credit or property to other operations of Municipality, the purchase or payment of, or providing security for, indebtedness or other obligations applicable to such other operations, and payment of greater than standardized or market prices for property or services from other departments of Municipality. In the interest of efficiency and economy, Municipality may use property and personnel jointly for the electric system and other operations, subject to agreement between Municipality and TVA as to appropriate allocations, based on direction of effort, relative use, or similar standards, of any and all joint investments, salaries and other expenses, funds, or use of property or facilities.

(b) Municipality shall keep the general books of accounts of the electric system according to the Federal Energy Regulatory Commission Uniform System of Accounts. Municipality shall allow the duly authorized agents of TVA to have free access at all reasonable times to all books and records relating to electric system operations. TVA may provide advisory accounting service, in reasonable amount, to help assure the proper setting up and administering of such accounts.

(c) Municipality shall supply TVA not later than August 15 of each year with an annual financial report in such form as may be requested, of electric system transactions for the preceding year ending June 30 and of electric system assets and liabilities as of June 30. Municipality shall furnish promptly to TVA each month such printed operating, statistical, and financial reports relating to electric system operations as may reasonably be requested by TVA. (Where information relating to such statistical reports is maintained on computers Municipality will also provide such statistical report information by a computer medium, working with TVA in developing a satisfactory format.) In the event of failure by Municipality to furnish promptly any such reports, TVA, following written notification to Municipality of intention to do so, may with its own staff perform at Municipality's expense all work necessary to collect and process the data necessary to provide the information that should have been furnished in the reports.

(d) Municipality shall have the electric system financial statements examined annually by independent certified public accountants in accordance with generally accepted auditing standards and shall publish the financial statements, along with the auditor's certificate, in a newspaper of general circulation in the area.

2. *Payments in Lieu of Taxes.* Municipality may pay or cause to be paid from its electric system revenues for each year beginning July 1 (hereinafter called "fiscal year," the first such fiscal year for purposes hereof being the year beginning July 1, 1969), an amount for payments in lieu of taxes (hereinafter called "tax equivalents") on its electric system and electric operations which, in the judgment of Municipality's governing body after consultation with the supervisory body, shall represent the fair share of the cost of government properly to be borne thereby, subject, however, to the following conditions and limitations:

(a) The total amount so paid as tax equivalents for each fiscal year shall not exceed a maximum equal to the sum of the following:

(1) One and one-half times the weighted average effective tax rates of the respective taxing jurisdictions as of the beginning of each fiscal year, determined as hereinafter provided in this section, multiplied by the net plant values of the electric plant in service and the book values of materials and supplies within the respective taxing jurisdictions in which Municipality's electric system is located as of the beginning of such fiscal year; and

(2) Two and one-half percent of the adjusted net distribution plant value of electric plant in service within the corporate limits of Municipality and of any other city taxing jurisdiction as of the beginning of each fiscal year; and

(3) One and one-half percent of the adjusted net distribution plant value of electric plant in service outside the corporate limits of Municipality and of any other city taxing jurisdictions as of the beginning of each fiscal year.

(b) Notwithstanding the foregoing, until the first fiscal year in which the aforesaid maximum amount for payments in lieu of taxes calculated as provided in subparagraph (a) of this section exceeds the total of (1) and (2) of this subparagraph (b), the maximum total tax equivalent that may be paid for any fiscal year shall not be less than the sum of the following:

(1) The highest total annual amount in lieu of taxes taken or paid from Municipality's electric system funds prior to April 1, 1969, for any one of the three consecutive calendar years ending with calendar year 1968, increased by the same percentage as that by which the net plant value has increased from December 31, 1968, through June 30, 1969; and

(2) The amount by which the result of the calculation of item (1) in subparagraph (a) of this section for such fiscal year exceeds the result of such a calculation for the year ending with June 30, 1969.

Thereafter, such maximum for any fiscal year shall not exceed the aforesaid maximum calculated as provided in subparagraph (a) of this section. All such maximum amounts shall be subject to the conditions and limitations of subparagraphs (c), (d), and (e) of this section.

(c) Such tax equivalent payments shall be made only from current electric system revenues remaining after payment of or making reasonable provision for payment of (i) current operating expenses of the electric system, including without limitation salaries, wages, cost of materials and supplies, cost of power, and insurance; (ii) current payments of interest on electric system indebtedness, and payment of principal thereof, including amortization, reserve and sinking fund payments, when due; and (iii) reasonable reserves for renewals, replacements, and contingencies and for cash working capital.

(d) The total tax equivalent to be paid for each fiscal year shall be in lieu of all State, county, city, and other local taxes or charges on Municipality's electric system and electric operations except as provided in subparagraph (f) of this section. Accordingly, after initial determination of such total tax equivalent to be paid in the absence of any such taxes or charges, such total tax equivalent shall be reduced by the aggregate amount of any taxes or other charges imposed for such fiscal year on Municipality's electric system or electric operations for the benefit of the respective taxing jurisdictions (including Municipality) in which Municipality's electric system is located and in which such electric operations are conducted, whether or not such taxes or other charges were imposed by the respective taxing jurisdictions receiving the benefit thereof. It shall be the responsibility of Municipality to provide for allocation of such total tax equivalent among the taxing jurisdictions in which Municipality's electric system is located in accordance with applicable law or contracts, but any amount so allocated to any such taxing jurisdiction shall be reduced by the aggregate amount of any such tax or other charges imposed for that fiscal year for the benefit of that taxing jurisdiction. Only the respective amounts remaining after the aforesaid allocated amounts have been so reduced shall be actually paid to Municipality and to such other taxing jurisdictions.

(e) The amounts to be paid for each fiscal year to Municipality and to each other taxing jurisdiction, determined in accordance with and subject to the provisions of this section 2, shall be set forth in a resolution adopted by Municipality's governing body after consultation with the supervisory body, and Municipality's electric system shall pay such amounts to Municipality and the other taxing jurisdictions as provided in said resolution. Such determination shall be made as early in such fiscal year as possible and shall become final at the end of such year; provided, however, that any reductions in such amounts required by subsection (d) above, to the extent not made during such year, shall be made in the succeeding years until the full adjustments are completed.

(f) Notwithstanding anything in the foregoing which might be construed to the contrary, properly authorized retail sales or use taxes on electric power or energy at the same rates applicable generally to sales or use of personal property or services, including natural or artificial gas, coal, and fuel oil as well as electric power or energy, imposed upon the vendees or users thereof by the State, a county, or a city (including Municipality) on a statewide, countywide, or citywide basis, respectively, shall not be considered a tax or charge on Municipality's electric system or its electric operations or properties for purposes of this section 2.

For purposes of this section 2, the following terms shall have the following meanings:

(a) "Electric system" shall mean all tangible and intangible property and resources of every kind and description used or held for use in the purchase, transmission, distribution, and sale, but not the generation, of electric energy.

(b) "Electric operations" shall mean all activities associated with the establishment, development, and administration of an electric system and the business of supplying electricity and associated services to the public, including without limitation the generation, purchase, and sale of electric energy and the purchase, use, and consumption thereof by ultimate consumers.

(c)"Supervisory body" shall mean any board or other agency of Municipality established to supervise the management and operation of its electric system and electric operations, or, in the absence thereof, the governing body of Municipality.

(d) The term "weighted average effective tax rate" of any taxing jurisdiction shall mean the actual ad valorem real property tax rate in effect multiplied by the weighted average ratio of the assessed value to market value of all classes of real property within such taxing jurisdiction. Said weighted average ratio of assessed to market value for any taxing jurisdiction shall be determined by dividing (1) the total actual assessed valuation of all classes of taxable

real property within such jurisdiction, by (2) the total market value of the same classes of taxable real property within the jurisdiction included in (1), calculated from the assessment ratios determined and published by any authorized agency of the State of Tennessee or, in the absence thereof, by the Tennessee Taxpayers Association, or, if such information is unavailable from either of these sources, from the best information available. For purposes of this section 2, the weighted average effective tax rate in effect at the beginning of any fiscal year for any taxing jurisdiction shall be deemed to be the weighted average effective tax rate of such taxing jurisdiction determined as provided in this paragraph for the tax year (calendar year) immediately preceding such fiscal year using the actual property tax rate and assessment ratios of such taxing jurisdiction in effect for such tax year.

(e) "Net plant value" shall mean the depreciated original cost of electric plant in service used and held for use in the transmission and distribution, but not the generation, of electricity as shown on the books of the electric system from time to time.

(f) "Adjusted net distribution plant value" shall mean net plant value less the depreciated original cost of (1) underground plant in service and (2) electric lines and equipment in service designed for operation at voltages in excess of 26,000 volts.

(g) "Electric plant in service" or "plant in service" shall have the meanings defined or ascribed to them in the Federal Energy Regulatory Commission's Uniform System of Accounts.

3. *Municipality's Lines and Equipment.* All lines and substations from the point or points of delivery (as defined in section 3 of the contract of which these Terms and Conditions are a part), and all electrical equipment, except metering equipment of TVA, located on Municipality's side of such point or points of delivery shall be furnished and maintained by Municipality. Municipality's electrical facilities shall conform to accepted modern standards. Failure to inspect for or to object to defects in such facilities shall not render TVA liable or responsible for any loss or damage resulting therefrom or from violation of the contract of which these Terms and Conditions are a part, or from accidents which may occur upon Municipality's premises.

4. *Responsibility for Property of the Other Party.* All equipment furnished by each party shall be and remain its property. Each party shall exercise proper care to protect any property of the other on its premises and shall bear the cost of any necessary repairs or replacements arising from its neglect to exercise such proper care. The authorized employees of each party shall have access at all reasonable times to any of its facilities on the other's premises, for such purposes as reading its meters and testing, repairing, or replacing its equipment.

5. *Measurement of Demand, Energy, and Power Factor.* TVA will, at its own expense, install and maintain or cause to be installed and maintained the necessary metering equipment for measuring the maximum demand and the amount of energy furnished Municipality at each point of delivery. If, for economy or convenience, such equipment is located elsewhere than at the point of delivery, the readings shall be adjusted to reflect the quantities delivered at the point of delivery and such adjusted amounts shall be deemed to be the measured amounts for purposes of billing under Wholesale Power Rate—Schedule WP. TVA may also, at its option, provide equipment to determine power factor. Municipality shall permit the use of its housing facilities, ducts and supports for TVA's metering equipment.

Municipality shall have the right at its own expense to install, equip, and maintain check meters in a mutually satisfactory location.

TVA will make periodical tests and inspections of its metering equipment in order to maintain a high standard of accuracy, and will make additional tests or inspections of its metering equipment at the request of Municipality. Municipality shall have the right to have representatives present at tests and meter readings. If any test shows that the metering equipment is accurate within two percent no adjustment of past readings will be made and, if the test was requested by Municipality, the testing charge will be paid by Municipality; all other tests shall be at TVA's expense. In case any test shows the meter reading to be in error more than two percent, a corresponding adjustment shall be made in Municipality's bills for any agreed period of error; in the absence of such agreement, the adjustment shall be limited to the current billing period. Should the metering equipment fail, the deliveries will be estimated by TVA from the best information available.

6. *Billing.* Payment for power and energy used in any monthly period shall become due 15 days after TVA's meter reading date or 7 days after the date of bill from TVA, whichever is later. To any amount remaining unpaid 15 days after the due date, there shall be added a charge equal to the sum of (1) $150 and (2) an amount calculated in the following manner: the average of the interest rates payable on TVA's short-term borrowings (having maturities of less than one year) made during the calendar month preceding the month of the date of bill is to be applied on a daily basis to the unpaid portion of the bill for each day of the period from and after the due date to and including the date of payment in full. (In the event that

TVA made no short-term borrowings during such preceding calendar month, the amount used in making the calculation shall be the average effective interest rate on 91-day United States Treasury bills (based on the average of the closing bid and asked prices) during such preceding calendar month, plus 1/8 of one percent.) TVA will prepare and send to Municipality appropriate invoices for such added charge, which shall be due and payable upon receipt. Upon failure of Municipality to pay for the power and energy used in any monthly period within 60 days after due date, TVA shall have the right, upon reasonable notice, to discontinue the supply of power and energy and refuse to resume delivery so long as any part thereof remains unpaid. Discontinuance of supply under this section will not relieve Municipality of its liability for the agreed minimum monthly payment during the time the supply of energy is so discontinued.

TVA shall allow Municipality an early payment credit (to be applied on its subsequent monthly bill) for any month for which Municipality makes payment to TVA for power and energy use in time for TVA to receive and deposit such payment on or before the due date. The amount of the early payment credit shall be arrived at by applying for each day of the 15-day period following the due date the average of the interest rates used in calculating the amount in (2) above to the amount of such early payment.

All payments shall be made to TVA at its offices at Chattanooga, Tennessee, or at such other place as TVA may from time to time designate. For purposes of billing, the term "month" in Wholesale Power Rate—Schedule WP and the term "monthly period" in this section are defined as the period from the meter reading time in one month to the meter reading time in the next month; provided, however, that with respect to the determination of billing demand said period shall begin and end at midnight prior to said meter reading times. Subject to such changes in TVA's meter reading scheduling as it deems necessary, meters shall be read on the same day of each month.

7. *Adjustment and Change of Wholesale Rate and Resale Rates.* The wholesale rate and resale rates provided in sections 4 and 5 of the contract shall be subject to adjustment and change from time to time in accordance with this section in order to assure TVA's ability to continue to supply the power requirements of Municipality and TVA's other customers on a financially sound basis with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible, and to assure Municipality's ability to continue to operate on a financially sound basis.

Wholesale power rates and charges shall be sufficient to produce revenue from TVA's wholesale power customers which, together with revenue from its other power customers, will assure TVA's ability each fiscal year to:

(a) meet the requirements of the TVA Act including particularly section 15d(f) thereof which provides in part that:

> The Corporation shall charge rates for power which will produce gross revenues sufficient to provide funds for operation, maintenance, and administration of its power system; payments to States and counties in lieu of taxes; debt service on outstanding bonds, including provision and maintenance of reserve funds and other funds established in connection therewith; payments to the Treasury as a return on the appropriation investment pursuant to subsection (e) hereof; payment to the Treasury of the repayment sums specified in subsection (e) hereof; and such additional margin as the Board may consider desirable for investment in power system assets, retirement of outstanding bonds in advance of maturity, additional reduction of appropriation investment, and other purposes connected with the Corporation's power business, having due regard for the primary objectives of the Act, including the objective that power shall be sold at rates as low as are feasible.

and (b) meet all tests and comply with the provisions of TVA's bond resolutions as from time to time adopted and amended in such a manner as to assure its ability to continue to finance and operate its power program at the lowest feasible cost.

Adjustment. TVA may review with Municipality or its representative, at least 30 days prior to the first day of any of the months of October, January, April, or July pertinent data concerning the current and anticipated conditions and costs affecting TVA's operations and the adequacy of its revenues from both wholesale and other power customers to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section; provided, however, that at least one such review shall be conducted each fiscal year; and provided further, that no adjustment shall be made as hereinafter provided in this paragraph unless such a review has been conducted within the 120 days preceding the effective date of such adjustment. Following any such review TVA, at least 15 days prior to the first day of whichever of the aforesaid months follows next, will determine what adjustments, if any, are required in the demand and energy charges provided for in the then effective Schedule of Rates and Charges to assure (a) revenues to TVA adequate

to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section and (b) revenues to Municipality adequate to compensate for changes, if any, in the cost of power to Municipality resulting from adjustments to Wholesale Power Rate—Schedule WP made under the provisions of this section. Such adjustments as TVA determines are required shall be incorporated by TVA in Adjustment Addendums to Wholesale Power Rate—Schedule WP and to the resale schedules of the Schedule of Rates and Charges, which Adjustment Addendums shall be promptly published by TVA by mailing the same to Municipality by registered mail and shall be applicable to bills rendered from meter readings taken for TVA and Municipality billing cycles scheduled to begin on or after the effective date of said Adjustment Addendum; provided that any adjustment determined by TVA to be necessary as hereinbefore provided shall not be conditioned upon or be postponed pending the review provided for in the first sentence of this paragraph or the completion of such review. Municipality shall pay for power and energy in accordance with Wholesale Power Rate—Schedule WP of the Schedule of Rates and Charges as so adjusted from time to time by any such Adjustment Addendums published by TVA as above provided, and shall adjust the charges in the resale schedules of the Schedule of Rates and Charges applicable to its customers in accordance with such Adjustment Addendums and the provisions of such resale schedules.

Change. Whenever any adjustment or adjustments made under the preceding paragraph, or the costs of TVA's service to Municipality and TVA's other customers, or the costs of Municipality's service to customers, or any other factors are believed by either party to warrant general or major changes in the Schedule of Rates and Charges, either party or its representative may request that the parties or their representatives meet and endeavor to reach agreement upon such changes. If within 180 days after any request for such changes the representatives of the parties for any reason have not agreed upon such changes, TVA may thereafter, upon not less than 30 days' notice by registered mail in which the basis for each change is set forth, place into effect such changes in the Schedule of Rates and Charges as it determines will enable TVA to carry out the objectives of the TVA Act and meet the requirements and tests and comply with the provisions of its bond resolutions as outlined in the second paragraph of this section and enable Municipality to continue on a financially sound basis as provided in section 5(c) of the contract and Municipality shall thereafter pay and charge for power and energy in accordance with the Schedule of Rates and Charges as so changed; provided, however, that unless the parties agree otherwise, any adjustment determined by TVA to be required under the provisions of the preceding paragraph of this section shall become effective without reference to, and shall not be delayed or postponed pending completion of, any actions under this paragraph.

8. *Compensation for Additional Tax or in Lieu of Tax Payments.* It is recognized that among the costs which the rates specified in Wholesale Power Rate—Schedule WP were designed to cover are annual payments in lieu of taxes by TVA in an aggregate sum equivalent to 5 percent of its gross proceeds from sales of power exclusive of sales to agencies of the Government of the United States. If at any time TVA is compelled by law to pay during any fiscal year of TVA taxes and payments in lieu of taxes in an aggregate amount which shall exceed 5 percent of such proceeds, TVA may, if it so elects, increase the billing amounts during the succeeding fiscal year by the number of percentage points (to the nearest 0.1 point) by which said aggregate amount exceeded 5 percent of said proceeds.

9. *Interference with Availability or Use of Power.* Neither TVA nor Municipality shall be liable for damages or breach of contract when and to the extent that the availability or use of power, respectively, is interrupted, curtailed, or interfered with or the performance of any other obligation hereunder is prevented by circumstances reasonably beyond the control of the party affected, such as (without limiting the generality of the foregoing) acts of God, strikes, accidents, laws of the United States or any State, regulations or orders of governmental agencies, judicial decrees, inability to obtain or install equipment, lack by TVA of necessary Congressional appropriations or legislative authorizations, or other inability of either party to obtain necessary financing. Acts of God shall be deemed to include the effects of drought if the drought is of such severity as to have a probability of occurrence of less than once in 40 years. Each party shall advise the other at the earliest practicable date of any circumstances which are likely to result in the interruption, curtailment, or interference with the performance of any obligation hereunder.

TVA will furnish electric service hereunder continuously so far as reasonable diligence will permit but TVA may interrupt, curtail, or otherwise interfere with service to Municipality hereunder in the course of installation, operation, or maintenance of TVA's facilities, or for the purposes of safeguarding life or property, or otherwise, and in such event shall not be liable for damages or breach of contract. TVA, as far as reasonably possible, shall avoid such

interruption, curtailment, or interference for routine operating purposes or repairs, and shall give such prior notice of those it deems necessary as may be reasonable under the circumstances.

10. *Additional Load.* The transmission system, transformers, meters and equipment used for delivery of power to Municipality have limited capacity and unless otherwise agreed no addition shall be made to Municipality's load which would result in a total load at any delivery point in excess of the maximum available from the then existing facilities at said delivery point.

11. *Voltage and Load Fluctuations Caused by Municipality.* Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. TVA may require Municipality at its own expense to install suitable apparatus to reasonably limit such fluctuations or disturbances.

12. *Balancing of Loads.* Municipality shall take and use power in such manner that the current on the most heavily loaded phase shall not exceed the current on either of the other phases by more than 20 percent. In the event that any check indicates a greater unbalance between phases, Municipality agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected by Municipality within 60 days, or such longer period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and to compute the billing demand as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with its current coil in that phase wire and its potential coil connected between that phase wire and the neutral voltage point.

13. *Notice of Trouble.* Municipality shall notify TVA immediately should the service be unsatisfactory for any reason or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if oral, should be confirmed in writing.

14. *Submetering.* Municipality shall not sell electricity for submetering or resale.

15. *Conflict.* In case of conflict between any express provision of the body of this contract or any provision of the Schedule of Rates and Charges and these Terms and Conditions, the former shall govern.

16. *Section Headings.* The section headings in this contract are only for convenience of reference and are not a part of the contract between the parties.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And CITY OF BRISTOL, VIRGINIA

THIS CONTRACT, made and entered into as of the 4th day of June, 1985, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and CITY OF BRISTOL, VIRGINIA (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Virginia;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality owns an electric system which is managed and operated by a utilities board, and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Municipality's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Municipality agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Municipality agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Municipality at the delivery point or points specified in or hereafter established under section 3 hereof and Municipality shall take and distribute the electric power required for service to Municipality's customers. Municipality shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Municipality and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Municipality shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Municipality to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Municipality would receive the energy for such consumer if it were served by Municipality. The supply of power by TVA to Municipality for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Municipality under said resale rate schedules, and the contract for such resale between Municipality and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Municipality and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Municipality shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Municipality regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Municipality would be entitled to serve hereunder, TVA shall notify Municipality of the time schedule upon which the additional power required for such service could be made available to Municipality at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Municipality shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Municipality, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Municipality which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Municipality to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Municipality.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Municipality to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point	*Normal Wholesale Delivery Voltage*
138-kV side of the North Bristol Substation	138,000

It is recognized that load growth and development and the maintenance of high quality service in Municipality's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Municipality and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Municipality is referred to as "Distributor." Subject to the other provisions of this contract, Municipality shall pay for the power and energy supplied by TVA in accordance

with the provisions of Wholesale Power Rate—Schedule WP; provided, however, that the 138-kV delivery point specified in the tabulation appearing in section 3 hereof shall be treated as a 161-kV delivery point for all billing purposes under said Schedule WP.

The payments to be made hereunder shall be made solely and exclusively from the revenues of the electric system and shall not be a charge upon Municipality's general funds.

5. *Resale Rates.* In distributing electric energy in the area served by Municipality, the parties agree as follows:

(a) Municipality agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Municipality agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RP-G, GP-G, TGP, and LP of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Municipality shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RP Schedule, and (2) 10 days, for customers served under the GP and TGP Schedules, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Municipality for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties shall agree upon, and Municipality shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Municipality shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Municipality agrees to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;

(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;

(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and

(4) From any revenues then remaining, tax equivalent payments into Municipality's general funds, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Municipality will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Municipality will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Municipality will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Municipality will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Municipality hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Municipality is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Municipality at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Municipality, to the extent of their capacity in excess of the requirements of Municipality, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Municipality the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Municipality by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Municipality from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Municipality without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated June 17, 1965, and numbered TV-27023A, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, between the parties hereto, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) Letter Agreement TV-78334, Supplement No. 7, dated October 16, 1953, between the parties hereto relative to a supply of power and energy for operation of Municipality's water pumping and filtration plant on the South Holston Reservoir;

(b) Letter Agreement TV-78334, Supplement No. 11, dated March 6, 1961, between the parties hereto relative to a building used jointly by the electric system and other municipal operations;

(c) Section 8 of Lease and Amendatory Agreement TV-27023A, Supplement No. 3, dated December 18, 1969, setting out the parties' rights and obligations relative to arrangements involving TVA's use for telemetering and communication purposes of certain transmission line conductors leased and subsequently purchased by Municipality from TVA;

(d) The provisions of the fourth paragraph of section 1 and the second paragraph of section 4 of Lease and Amendatory Agreement TV-27023A, Supplement No. 4, dated September 24, 1970, setting out the parties' rights and obligations relative to (1) arrangements for emergency connection of certain transmission facilities (leased and subsequently purchased by Municipality from TVA) to transmission facilities of Bristol, Tennessee, at the Shelby Street Substation, and (2) TVA's use in emergencies of bus tie circuit breaker No. 724 (leased and subsequently purchased by Municipality from TVA) at the North Bristol Substation;

(e) The second and third paragraphs of section 4 of Lease-Purchase and Amendatory Agreement TV-27023A, Supplement No. 9, dated July 11, 1974, setting out the parties' rights and obligations relative to (1) station service arrangements at the North Bristol Substation and (2) Municipality's use of certain facilities of TVA located at said substation; and

(f) Section 3 of Agreement TV-27023A, Supplement No. 13, dated December 13, 1976, relative to application of a monthly facilities rental credit to billings under the Wholesale Power Rate Schedule.

All references in the letter agreements referred to in items (a) and (b) above to the power contract dated July 29, 1943, and all references in the portions of the agreements referred to in items (c) through (f) above to the power contract dated June 17, 1965, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of June 30, 1985, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Municipality should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Municipality unless Municipality agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
(s) Helen S. Drummer
Assistant Secretary
OGC (s) SDK

TENNESSEE VALLEY AUTHORITY
By (s) W. F. Willis
General Manager

Attest: (Seal)
(s) Emmett M. Hood
City Clerk

CITY OF BRISTOL, VIRGINIA
By (s) James F. Rector
Mayor

Attest:
(s) Thomas E. Adams
General Manager

Approved:
BRISTOL VIRGINIA UTILITIES BOARD
By (s) W. David Fletcher
Chairman

Approved by TVA
Board of Directors
June 18 1985
(s) HSD
Assistant Secretary

RESIDENTIAL RATE—SCHEDULE RP-G
(July 1983)

Availability

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate Schedule; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate Schedule.

Character of Service

Alternating current, single-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

Base Charges

Customer Charge: $2.00 per month

Energy Charge: First 2,000 kWh per month at 4.369 cents per kWh
Additional " " " " 5.025 " " kWh

Adjustment

The base energy charge shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Minimum Monthly Bill

The base customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GP-G
(July 1983)

Availability

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

Character of Service

Alternating current, single or three-phase, 60 hertz. Under A below, power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Under B below, power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed up on.

Base Charges

A. If the customer's billing demand for the month and its contract demand, if any, are each 5,000 kW or less:

Customer Charge: $7.00 per delivery point per month

Demand Charge: First 50 kW of billing demand per month, no demand charge
Next 50 kW of billing demand per month, at $5.12 per kW
Excess over 100 kW of billing demand per month, at $5.42 per kW

Energy Charge:								
First	15,000	kWh	per	month	at	5.105	cents	per kWh
Next	85,000	"	"	"	"	3.507	"	" kWh
Next	400,000	"	"	"	"	3.097	"	" kWh
Additional		"	"	"	"	3.080	"	" kWh

B. If either the customer's billing demand for the month or its contract demand is greater than 5,000 kW:

Customer Charge: $1,500 per delivery point per month

Demand Charge: $7.56 per kW of billing demand per month, plus an additional

$7.56 per kW per month for each kW, if any, by which customer's billing demand exceeds its contract demand

Energy Charge: 2.703 cents per kWh per month

Adjustment

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Facilities Rental Charge Applicable Under B Above

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 33 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 87 cents per kW per month for the first 10,000 kW and 68 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

Determination of Demand

Distributor shall measure the demands in kW of all customers having loads in excess of 50 kW. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kW, (2) 70 percent of the next 45,000 kW, and (3) 90 percent of all kW in excess of 50,000 kW of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge, as adjusted, applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

The monthly bill under B above, excluding any facilities rental charges, shall not be less than the sum of (1) the base customer charge and (2) the base demand charge, as adjusted,

(but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

Seasonal Service

Customers who contract for service on a seasonal basis shall be limited to 1,500 kW and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of $7.75 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 9.50 cents per kWh of the maximum monthly consumption for customers whose billing demand does not exceed 50 kW or (b) 23.00 dollars per kW of the maximum billing demand established for customers whose billing demand is over 50 kW. Such amounts in cents per kWh and dollars per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect increases or decreases in the demand and energy charges in part A of this rate schedule.

Distributor may require minimum bills higher than those stated above.

Contract Requirement

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand requirements exceed 50 kW shall be required to execute contracts and such contracts shall be for an initial term of at least one year. If the customer's demand requirements are in excess of 5,000 kW , the contract shall be for an initial term of at least five years and any renewal or extension of the initial contract shall also be for a term of at least five years. If the customer's demand requirements are in excess of 15,000 kW, the contract shall be for an initial term of at least ten years and any renewal or extension of the initial contract shall be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, change, or replacement from time to time upon agreement between Distributor and TVA.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

SCHEDULE OF TERMS AND CONDITIONS

1. *Financial and Accounting Policy*. Municipality agrees to be bound by the following statement of financial and accounting policy:

(a) Except as hereinafter provided, Municipality shall administer, operate, and maintain the electric system as a separate department in all respects, shall establish and maintain a separate fund for the revenues from electric operations, and shall not directly or indirectly mingle electric system funds or accounts, or otherwise consolidate or combine the financing of the electric system, with those of any other of its operations. The restrictions of this subsection include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues, credit or property to other operations of

Municipality, the purchase or payment of, or providing security for, indebtedness or other obligations applicable to such other operations, and payment of greater than standardized or market prices for property or services from other departments of Municipality. In the interest of efficiency and economy, Municipality may use property and personnel jointly for the electric system and other operations, subject to agreement between Municipality and TVA as to appropriate allocations, based on direction of effort, relative use, or similar standards, of any and all joint investments, salaries and other expenses, funds, or use of property or facilities.

(b) Municipality shall keep the general books of accounts of the electric system according to the Federal Energy Regulatory Commission Uniform System of Accounts. Municipality shall allow the duly authorized agents of TVA to have free access at all reasonable times to all books and records relating to electric system operations. TVA may provide advisory accounting service, in reasonable amount, to help assure the proper setting up and administering of such accounts.

(c) Municipality shall supply TVA not later than August 15 of each year with an annual financial report in such form as may be requested, of electric system transactions for the preceding year ending June 30 and of electric system assets and liabilities as of June 30. Municipality shall furnish promptly to TVA each month such printed operating, statistical, and financial reports relating to electric system operations as may reasonably be requested by TVA. (Where information relating to such statistical reports is maintained on computers Municipality will also provide such statistical report information by a computer medium, working with TVA in developing a satisfactory format.) In the event of failure by Municipality to furnish promptly any such reports, TVA, following written notification to Municipality of intention to do so, may with its own staff perform at Municipality's expense all work necessary to collect and process the data necessary to provide the information that should have been furnished in the reports.

(d) Municipality shall have the electric system financial statements examined annually by independent certified public accountants in accordance with generally accepted auditing standards and shall publish the financial statements, along with the auditor's certificate, in a newspaper of general circulation in the area.

2. *Payments in Lieu of Taxes.*

(a) To the extent revenues are available after the satisfaction of all items set forth in paragraphs (1), (2), and (3) of section 6(a) of the contract of which these Terms and Conditions are a part, Municipality may take each year from the electric system, in lieu of taxes, an amount representing the fair share of the cost of government properly to be borne that year by its electric system, not to exceed a maximum amount (including any refunds or other benefits accruing to Municipality's nonelectric operations as a consequence of any State or Federal taxes or charges upon Municipality's electric operations) calculated by applying the prevailing municipal, county and State property tax rates, equalized, to the depreciated original cost of tangible property used in electric operations within the respective taxing jurisdictions at the beginning of each tax year. Determination of the amount to be taken in lieu of taxes for each year shall be made as early in each year as practicable and shall become final at the end of such year. For purposes of this section 2, the words "property tax rates, equalized" shall (with respect to any taxing jurisdiction for any tax year) mean the ad valorem property tax rates multiplied by an equalization factor. The equalization factor will be the assessment ratio applicable for the State, county, or municipality as determined by an authorized department, agency, or official of the State empowered to determine such assessment ratio or, if such information is unavailable from any such source, as determined by TVA from the best information available. "Assessment ratio" shall mean the ratio of assessed values of record to 100 percent of current values that are to be arrived at in accordance with applicable State law for use in ad valorem property tax determinations each tax year.

(b) It shall be the responsibility of Municipality to provide for such distribution as may be required by law or as it deems appropriate under the provisions of Section 13 of the TVA Act to the State, counties and any other municipal corporations in which it operates of any tax equivalents so collected by Municipality in lieu of State, county and other municipal taxes. If Municipality shall, directly or indirectly, and voluntarily or otherwise, make any payment out of electric system revenues or funds to a county, other municipality, or any other local taxing jurisdiction, in satisfaction of a claim or obligation for taxes or payments in lieu of taxes, or in consideration of or as compensation for franchises or operating rights, or otherwise, or if Municipality shall make any such payment to the State for or in lieu of property taxes, the maximum tax equivalents to which Municipality would otherwise be entitled under subsection (a) shall be reduced by the amount of such payment; provided, however, that no such payment shall operate to reduce the maximum tax equivalent to which Municipality is entitled below an amount computed by applying the property tax rate, equalized, of

Municipality to the depreciated original cost of the tangible property used in electric operations therein. It is understood and agreed, however, that Municipality shall not, in respect of any year, voluntarily make or agree to make any payment of the kind referred to in this subsection if such payment either separately or in conjunction with all other similar payments in respect of that year, voluntary or otherwise, would exceed the amount derived by applying the prevailing county and State property tax rates, equalized, and property tax rates, equalized, of other municipal corporations, if any, within which Municipality serves, to the depreciated original cost of the tangible electric properties within the respective taxing jurisdictions.

(c) Municipality agrees that it will not impose any tax or other charge not expressly provided for in this contract upon the property or operations of its electric system, or upon the sale, purchase, use or consumption of electric energy supplied thereby. In the event Municipality should impose such a tax or charge, the tax equivalent which Municipality would otherwise be permitted to take under this section shall be reduced each year by the aggregate amount of the tax or charge so imposed; provided, however, that no such reduction in tax equivalent payments shall in any way prejudice the rights of TVA to enforce, by whatever means available to it, said agreement and any other provision or provisions of this contract which may be violated by the imposition of said tax or charge.

3. *Municipality's Lines and Equipment.* All lines and substations from the point or points of delivery (as defined in section 3 of the contract of which these Terms and Conditions are a part), and all electrical equipment, except metering equipment of TVA, located on Municipality's side of such point or points of delivery shall be furnished and maintained by Municipality. Municipality's electrical facilities shall conform to accepted modern standards. Failure to inspect for or to object to defects in such facilities shall not render TVA liable or responsible for any loss or damage resulting therefrom or from violation of the contract of which these Terms and Conditions are a part, or from accidents which may occur upon Municipality's premises.

4. *Responsibility for Property of the Other Party.* All equipment furnished by each party shall be and remain its property. Each party shall exercise proper care to protect any property of the other on its premises and shall bear the cost of any necessary repairs or replacements arising from its neglect to exercise such proper care. The authorized employees of each party shall have access at all reasonable times to any of its facilities on the other's premises, for such purposes as reading its meters and testing, repairing, or replacing its equipment.

5. *Measurement of Demand, Energy, and Power Factor.* TVA will, at its own expense, install and maintain or cause to be installed and maintained the necessary metering equipment for measuring the maximum demand and the amount of energy furnished Municipality at each point of delivery. If, for economy or convenience, such equipment is located elsewhere than at the point of delivery, the readings shall be adjusted to reflect the quantities delivered at the point of delivery and such adjusted amounts shall be deemed to be the measured amounts for purposes of billing under Wholesale Power Rate—Schedule WP. TVA may also, at its option, provide equipment to determine power factor. Municipality shall permit the use of its housing facilities, ducts, and supports for TVA's metering equipment.

Municipality shall have the right at its own expense to install, equip, and maintain check meters in a mutually satisfactory location.

TVA will make periodical tests and inspections of its metering equipment in order to maintain a high standard of accuracy, and will make additional tests or inspections of its metering equipment at the request of Municipality. Municipality shall have the right to have representatives present at tests and meter readings. If any test shows that the metering equipment is accurate within two percent no adjustment of past readings will be made and, if the test was requested by Municipality, the testing charge will be paid by Municipality; all other tests shall be at TVA's expense. In case any test shows the meter reading to be in error more than two percent, a corresponding adjustment shall be made in Municipality's bills for any agreed period of error; in the absence of such agreement, the adjustment shall be limited to the current billing period. Should the metering equipment fail, the deliveries will be estimated by TVA from the best information available.

6. *Billing.* Payment for power and energy used in any monthly period shall become due 15 days after TVA's meter reading date or 7 days after the date of bill from TVA, whichever is later. To any amount remaining unpaid 15 days after the due date, there shall be added a charge equal to the sum of (1) $150 and (2) an amount calculated in the following manner: the average of the interest rates payable on TVA's short-term borrowings (having maturities of less than one year) made during the calendar month preceding the month of the date of bill is to be applied on a daily basis to the unpaid portion of the bill for each day of the period from and after the due date to and including the date of payment in full. (In the event that TVA made no short-term borrowings during such preceding calendar month, the amount

used in making the calculation shall be the average effective interest rate on 91-day United States Treasury bills (based on the average of the closing bid and asked prices) during such preceding calendar month, plus 1/8 of one percent.) TVA will prepare and send to Municipality appropriate invoices for such added charge, which shall be due and payable upon receipt. Upon failure of Municipality to pay for the power and energy used in any monthly period within 60 days after due date, TVA shall have the right, upon reasonable notice, to discontinue the supply of power and energy and refuse to resume delivery so long as any part thereof remains unpaid. Discontinuance of supply under this section will not relieve Municipality of its liability for the agreed minimum monthly payment during the time the supply of energy is so discontinued.

TVA shall allow Municipality an early payment credit (to be applied on its subsequent monthly bill) for any month for which Municipality makes payment to TVA for power and energy use in time for TVA to receive and deposit such payment on or before the due date. The amount of the early payment credit shall be arrived at by applying for each day of the 15-day period following the due date the average of the interest rates used in calculating the amount in (2) above to the amount of such early payment.

All payments shall be made to TVA at its offices at Chattanooga, Tennessee, or at such other place as TVA may from time to time designate. For purposes of billing, the term "month" in Wholesale Power Rate—Schedule WP and the term "monthly period" in this section are defined as the period from the meter reading time in one month to the meter reading time in the next month; provided, however, that with respect to the determination of billing demand said period shall begin and end at midnight prior to said meter reading times. Subject to such changes in TVA's meter reading scheduling as it deems necessary, meters shall be read on the same day of each month.

7. *Adjustment and Change of Wholesale Rate and Resale Rates.* The wholesale rate and resale rates provided in sections 4 and 5 of the contract shall be subject to adjustment and change from time to time in accordance with this section in order to assure TVA's ability to continue to supply the power requirements of Municipality and TVA's other customers on a financially sound basis with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible, and to assure Municipality's ability to continue to operate on a financially sound basis.

Wholesale power rates and charges shall be sufficient to produce revenue from TVA's wholesale power customers which, together with revenue from its other power customers, will assure TVA's ability each fiscal year to:

(a) meet the requirements of the TVA Act including particularly section 15d(f) thereof which provides in part that:

> The Corporation shall charge rates for power which will produce gross revenues sufficient to provide funds for operation, maintenance, and administration of its power system; payments to States and counties in lieu of taxes; debt service on outstanding bonds, including provision and maintenance of reserve funds and other funds established in connection therewith; payments to the Treasury as a return on the appropriation investment pursuant to subsection (e) hereof; payment to the Treasury of the repayment sums specified in subsection (e) hereof; and such additional margin as the Board may consider desirable for investment in power system assets, retirement of outstanding bonds in advance of maturity, additional reduction of appropriation investment, and other purposes connected with the Corporation's power business, having due regard for the primary objectives of the Act, including the objective that power shall be sold at rates as low as are feasible.

and (b) meet all tests and comply with the provisions of TVA's bond resolutions as from time to time adopted and amended in such a manner as to assure its ability to continue to finance and operate its power program at the lowest feasible cost.

Adjustment. TVA may review with Municipality or its representative, at least 30 days prior to the first day of any of the months of October, January, April, or July pertinent data concerning the current and anticipated conditions and costs affecting TVA's operations and the adequacy of its revenues from both wholesale and other power customers to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section; provided, however, that at least one such review shall be conducted each fiscal year; and provided further, that no adjustment shall be made as hereinafter provided in this paragraph unless such a review has been conducted within the 120 days preceding the effective date of such adjustment. Following any such review TVA, at least 15 days prior to the first day of whichever of the aforesaid months follows next, will determine what adjustments, if any, are required in the demand and energy charges provided for in the then effective Schedule of Rates and Charges to assure (a) revenues to TVA adequate

to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section and (b) revenues to Municipality adequate to compensate for changes, if any, in the cost of power to Municipality resulting from adjustments to Wholesale Power Rate—Schedule WP made under the provisions of this section. Such adjustments as TVA determines are required shall be incorporated by TVA in Adjustment Addendums to Wholesale Power Rate—Schedule WP and to the resale schedules of the Schedule of Rates and Charges, which Adjustment Addendums shall be promptly published by TVA by mailing the same to Municipality by registered mail and shall be applicable to bills rendered from meter readings taken for TVA and Municipality billing cycles scheduled to begin on or after the effective date of said Adjustment Addendum; provided that any adjustment determined by TVA to be necessary as hereinbefore provided shall not be conditioned upon or be postponed pending the review provided for in the first sentence of this paragraph or the completion of such review. Municipality shall pay for power and energy in accordance with Wholesale Power Rate—Schedule WP of the Schedule of Rates and Charges as so adjusted from time to time by any such Adjustment Addendums published by TVA as above provided, and shall adjust the charges in the resale schedules of the Schedule of Rates and Charges applicable to its customers in accordance with such Adjustment Addendums and the provisions of such resale schedules.

Change. Whenever any adjustment or adjustments made under the preceding paragraph, or the costs of TVA's service to Municipality and TVA's other customers, or the costs of Municipality's service to customers, or any other factors are believed by either party to warrant general or major changes in the Schedule of Rates and Charges, either party or its representative may request that the parties or their representatives meet and endeavor to reach agreement upon such changes. If within 180 days after any request for such changes the representatives of the parties for any reason have not agreed upon such changes, TVA may thereafter, upon not less than 30 days' notice by registered mail in which the basis for each change is set forth, place into effect such changes in the Schedule of Rates and Charges as it determines will enable TVA to carry out the objectives of the TVA Act and meet the requirements and tests and comply with the provisions of its bond resolutions as outlined in the second paragraph of this section and enable Municipality to continue on a financially sound basis as provided in section 5(c) of the contract and Municipality shall thereafter pay and charge for power and energy in accordance with the Schedule of Rates and Charges as so changed; provided, however, that unless the parties agree otherwise, any adjustment determined by TVA to be required under the provisions of the preceding paragraph of this section shall become effective without reference to, and shall not be delayed or postponed pending completion of, any actions under this paragraph.

8. *Compensation for Additional Tax or in Lieu of Tax Payments.* It is recognized that among the costs which the rates specified in Wholesale Power Rate—Schedule WP were designed to cover are annual payments in lieu of taxes by TVA in an aggregate sum equivalent to 5 percent of its gross proceeds from sales of power exclusive of sales to agencies of the Government of the United States. If at any time TVA is compelled by law to pay during any fiscal year of TVA taxes and payments in lieu of taxes in an aggregate amount which shall exceed 5 percent of such proceeds, TVA may, if it so elects, increase the billing amounts during the succeeding fiscal year by the number of percentage points (to the nearest 0.1 point) by which said aggregate amount exceeded 5 percent of said proceeds.

9. *Interference with Availability or Use of Power.* Neither TVA nor Municipality shall be liable for damages or breach of contract when and to the extent that the availability or use of power, respectively, is interrupted, curtailed, or interfered with or the performance of any other obligation hereunder is prevented by circumstances reasonably beyond the control of the party affected, such as (without limiting the generality of the foregoing) acts of God, strikes, accidents, laws of the United States or any State, regulations or orders of governmental agencies, judicial decrees, inability to obtain or install equipment, lack by TVA of necessary Congressional appropriations or legislative authorizations, or other inability of either party to obtain necessary financing . Acts of God shall be deemed to include the effects of drought if the drought is of such severity as to have a probability of occurrence of less than once in 40 years. Each party shall advise the other at the earliest practicable date of any circumstances which are likely to result in the interruption, curtailment, or interference with the performance of any obligation hereunder.

TVA will furnish electric service hereunder continuously so far as reasonable diligence will permit but TVA may interrupt, curtail, or otherwise interfere with service to Municipality hereunder in the course of installation, operation, or maintenance of TVA's facilities, or for the purpose of safeguarding life or property, or otherwise, and in such event shall not be liable for damages or breach of contract. TVA, as far as reasonably possible, shall avoid such

interruption, curtailment, or interference for routine operating purposes or repairs, and shall give such prior notice of those it deems necessary as may be reasonable under the circumstances.

10. *Additional Load.* The transmission system, transformers, meters, and equipment used for delivery of power to Municipality have limited capacity and unless otherwise agreed no addition shall be made to Municipality's load which would result in a total load at any delivery point in excess of the maximum available from the then existing facilities at said delivery point.

11. *Voltage and Load Fluctuations Caused by Municipality.* Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. TVA may require Municipality at its own expense to install suitable apparatus to reasonably limit such fluctuations or disturbances.

12. *Balancing of Loads.* Municipality shall take and use power in such manner that the current on the most heavily loaded phase shall not exceed the current on either of the other phases by more than 20 percent. In the event that any check indicates a greater unbalance between phases, Municipality agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected by Municipality within 60 days, or such longer period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and to compute the billing demand as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with its current coil in that phase wire and its potential coil connected between that phase wire and the neutral voltage point.

13. *Notice of Trouble.* Municipality shall notify TVA immediately should the service be unsatisfactory for any reason or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if oral, should be confirmed in writing.

14. *Submetering.* Municipality shall not sell electricity for submetering or resale.

15. *Conflict.* In case of conflict between any express provision of the body of this contract or any provision of the Schedule of Rates and Charges and these Terms and Conditions, the former shall govern.

16. *Section Headings.* The section headings in this contract are only for convenience of reference and are not a part of the contract between the parties.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And CITY OF COOKEVILLE, TENNESSEE

THIS CONTRACT, made and entered into as of the 16 day of October, 1984, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and CITY OF COOKEVILLE (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the State of Tennessee;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality owns and operates an electric system, and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Municipality's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Municipality agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Municipality agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Municipality at the delivery point or points specified in or hereafter established under section 3 hereof and Municipality shall take and distribute the electric power required for service to Municipality's customers. Municipality shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Municipality and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Municipality shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Municipality to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Municipality would receive the energy for such consumer if it were served by Municipality. The supply of power by TVA to Municipality for resale to any consumer any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Municipality under said resale rate schedules, and the contract for such resale between Municipality and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Municipality and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Municipality shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Municipality regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Municipality would be entitled to serve hereunder, TVA shall notify Municipality of the time schedule upon which the additional power required for such service could be made available to Municipality at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Municipality shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Municipality, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Municipality which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Municipality to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Municipality.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Municipality to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point	*Normal Wholesale Delivery Voltage*
69-kV side of the Cookeville District Substation	69,000
69-kV side of the East Cookeville Substation	69,000

It is recognized that load growth and development and the maintenance of high quality service in Municipality's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Municipality and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Municipality is referred to as "Distributor." Subject to the other provisions of this contract, Municipality shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WP.

The payments to be made hereunder shall be made solely and exclusively from the revenues of the electric system and shall not be a charge upon Municipality's general funds.

5. *Resale Rates.* In distributing electric energy in the area served by Municipality, the parties agree as follows:

(a) Municipality agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Municipality agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RP-I, GP-I, TGP, and LP of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Municipality shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RP Schedule, and (2) 10 days, for customers served under the GP and TGP Schedules, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Municipality for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties shall agree upon, and Municipality shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Municipality shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Municipality agrees to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;

(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;

(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and

(4) From any revenues then remaining, tax equivalent payments into Municipality's general funds, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Municipality will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Municipality will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Municipality will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Municipality will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Municipality hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Municipality is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Municipality at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Municipality, to the extent of their capacity in excess of the requirements of Municipality, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Municipality the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Municipality by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Municipality from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Municipality without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated November 5, 1964, and numbered TV-25719A, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, it being the intention of the parties that said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with the provisions of each agreement, respectively:

(a) Section 3 of Agreement TV-25719A, Supplement No. 9, dated January 11, 1977, between the parties hereto relative to application of a monthly facilities rental credit to billings under the Wholesale Power Rate Schedule;

(b) Lease and Amendatory Agreement TV-25719A, Supplement No. 11, dated April 25, 1978, relative to the lease by Municipality of TVA's East Cookeville Substation; and

(c) Lease and Amendatory Agreement TV-25719A, Supplement No. 12, dated April 5, 1979, relative to the lease by Municipality of TVA's Cookeville District Substation.

Any reference in said agreements to the power contract dated November 5, 1964, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of December 1, 1984, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If

Municipality should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Municipality unless Municipality agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
(s) Helen S. Drummer
Assistant Secretary
OGC

TENNESSEE VALLEY AUTHORITY
By (s) W. F. Willis
General Manager

Attest:
(s) W. R. Holland
Manager

CITY OF COOKEVILLE, TENNESSEE
By (s) Vaughn Howard
Mayor

Approved by TVA
Board of Directors
NOV 14 1984
(s) HSD
Assistant Secretary

RESIDENTIAL RATE—SCHEDULE RP-1
(July 1983)

Availability

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate Schedule; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate Schedule.

Character of Service

Alternating current, single-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

Base Charges

Customer Charge: $2.45 per month

Energy Charge: First 2,000 kWh per month at 4.443 cents per kWh
Additional " " " " 5.099 " " kWh

Adjustment

The base energy charge shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Minimum Monthly Bill

The base customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GP-I
(July 1983)

Availability

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

Character of Service

Alternating current, single or three-phase, 60 hertz. Under A below, power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Under B below, power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Base Charges

A. If the customer's billing demand for the month and its contract demand, if any, are each 5,000 kW or less:

Customer Charge: $7.45 per delivery point per month

Demand Charge:
First 50 kW of billing demand per month, no demand charge
Next 50 kW of billing demand per month, at $5.42 per kW
Excess over 100 kW of billing demand per month, at $5.72 per kW

Energy Charge:

First	15,000	kWh	per	month	at	5.194	cents	per kWh
Next	85,000	"	"	"	"	3.586	"	" kWh
Next	400,000	"	"	"	"	3.101	"	" kWh
Additional		"	"	"	"	3.084	"	" kWh

B. If either the customer's billing demand for the month or its contract demand is greater than 5,000 kW:

Customer Charge: $1,500 per delivery point per month

Demand Charge: $7.56 per kW of billing demand per month, plus an additional

$7.56 per kW per month for each kW, if any, by which customer's billing demand exceeds its contract demand

Energy Charge: 2.703 cents per kWh per month

Adjustment

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Facilities Rental Charge Applicable Under B Above

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 33 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 87 cents per kW per month for the first 10,000 kW and 68 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

Determination of Demand

Distributor shall measure the demands in kW of all customers having loads in excess of 50 kW. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kW, (2) 70 percent of the next 45,000 kW, and (3) 90 percent of all kW in excess of 50,000 kW of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge, as adjusted, applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

The monthly bill under B above, excluding any facilities rental charges, shall not be less than the sum of (1) the base customer charge and (2) the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

Seasonal Service

Customers who contract for service on a seasonal basis shall be limited to 1,500 kW and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of $8.25 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 10.00 cents per kWh of the maximum monthly consumption for customers whose billing demand does not exceed 50 kW or (b) 24.00 dollars per kW of the maximum billing demand established for customers whose billing demand is over 50 kW. Such amounts in cents per kWh and dollars per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect increases or decreases in the demand and energy charges in part A of this rate schedule.

Distributor may require minimum bills higher than those stated above.

Contract Requirement

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand requirements exceed 50 kW shall be required to execute contracts and such contracts shall be for an initial term of at least one year. If the customer's demand requirements are in excess of 5,000 kW, the contract shall be for an initial term of at least five years and any renewal or extension of the initial contract shall also be for a term of at least five years. If the customer's demand requirements are in excess of 15,000 kW, the contract shall be for an initial term of at least ten years and any renewal or extension of the initial contract shall be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, change, or replacement from time to time upon agreement between Distributor and TVA.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And CITY OF ELIZABETHTON, TENNESSEE

THIS CONTRACT, made and entered into as of the 19th day of June, 1985, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and CITY OF ELIZABETHTON, TENNESSEE (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the State of Tennessee;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality owns an electric system which is managed and operated by a board of public utilities (hereinafter called "Board"), and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Municipality's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Municipality agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Municipality agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Municipality at the delivery point or points specified in or hereafter established under section 3 hereof and Municipality shall take and distribute the electric power required for service to Municipality's customers. Municipality shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Municipality and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Municipality shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Municipality to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Municipality would receive the energy for such consumer if it were served by Municipality. The supply of power by TVA to Municipality for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Municipality under said resale rate schedules, and the contract for such resale between Municipality and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Municipality and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Municipality shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Municipality regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Municipality would be entitled to serve hereunder, TVA shall notify Municipality of the time schedule upon which the additional power required for such service could be made available to Municipality at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Municipality shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Municipality, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Municipality which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Municipality to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Municipality.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Municipality to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point	*Normal Wholesale Delivery Voltage*
Point of connection of the Milligan College-Northeast Johnson City 69-kV line section to the 69-kV tap and switch structure located on the Milligan College Substation site	69,000
161-kV side of the Elizabethton 161-kV Substation	161,000
161-kV side of the Hampton 161-kV Substation	161,000

It is recognized that load growth and development and the maintenance of high quality service in Municipality's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Municipality and TVA shall be guided by the policy of providing the most economical of the practical

combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Municipality is referred to as "Distributor." Subject to the other provisions of this contract, Municipality shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WP.

The payments to be made hereunder shall be made solely and exclusively from the revenues of the electric system and shall not be a charge upon Municipality's general funds.

5. *Resale Rates.* In distributing electric energy in the area served by Municipality, the parties agree as follows:

(a) Municipality agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Municipality agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RP-G, GP-G, TGP, and LP of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Municipality shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RP Schedule, and (2) 10 days, for customers served under the GP and TGP Schedules, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Municipality for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), Board and TVA shall agree upon, and Municipality shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, Board and TVA shall agree upon a reduction in said rates and charges, and Municipality shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Municipality agrees to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;

(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;

(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and

(4) From any revenues then remaining, tax equivalent payments into Municipality's general funds, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the

need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity*. It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Municipality will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Municipality will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Municipality will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Municipality will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions*. Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations*. Municipality hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Municipality is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Municipality at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes*. TVA is hereby granted the privilege of using any electric lines of Municipality, to the extent of their capacity in excess of the requirements of Municipality, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Municipality the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Municipality by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Municipality from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults*. Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract*. Neither this contract nor any interest herein shall be transferable or assignable by Municipality without the consent of TVA.

13. *Restriction of Benefits*. No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts*. It is hereby agreed that the power contract dated June 24, 1965, and numbered TV-27031A, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, between the parties hereto, it being the intention of the parties that said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with the provisions of each agreement, respectively:

(a) Section 3 of Agreement TV-27031A, Supplement No. 11, dated December 14, 1976, relative to application of a monthly facilities rental credit to billings under the Wholesale Power Rate Schedule;

(b) Lease and Amendatory Agreement TV-27031A, Supplement No. 13, dated September 21, 1979, relative to the lease by Municipality of TVA's Milligan College 69-kV Substation and a section of TVA's Northeast Johnson City-Erwin 69-kV Line;

(c) Lease and Amendatory Agreement TV-27031A, Supplement No. 14, dated December 11, 1979, as amended, relative to the lease by Municipality of certain transmission and substation facilities from TVA;

(d) Cogeneration Agreement TV-54471A, dated June 5, 1980, relative to arrangements for the purchase by TVA of cogenerated power and energy from North American Rayon Corporation; and

(e) Letter Agreement TV-27031A, Supplement No. 16, dated December 21, 1981, relative to the operation and maintenance of Municipality's facilities converted to 161-kV operation at the Hampton 161-kV Substation.

All references in said agreements, or portions thereof, to the power contract dated June 24, 1965, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of June 30, 1985, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Municipality should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Municipality unless Municipality agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
(s) Helen S. Drummer
Assistant Secretary
OGC (s) SDK

Attest:
(s) Frank L. Curde
Manager

Attest:
(s) Jasper Williams

TENNESSEE VALLEY AUTHORITY
By (s) W. F. Willis
General Manager

CITY OF ELIZABETHTON, TENNESSEE
By Board of Public Utilities
By (s) Sandy A. Greenwell
Chairman

Approved:
CITY OF ELIZABETHTON, TENNESSEE
By (s) G. Richard Sharpin, Jr.
Mayor

Approved by TVA
Board of Directors
JUN 18 1985
(s) HSD
Assistant Secretary

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And TOWN OF ERWIN, TENNESSEE

THIS CONTRACT, made and entered into as of the 7th day of May, 1985, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and TOWN OF ERWIN, TENNESSEE (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the State of Tennessee;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality owns an electric system which is managed and operated by a board of public utilities (hereinafter called "Board"), and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Municipality's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Municipality agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Municipality agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Municipality at the delivery point or points specified in or hereafter established under section 3 hereof and Municipality shall take and distribute the electric power required for service to Municipality's customers. Municipality shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Municipality and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Municipality shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Municipality to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Municipality would receive the energy for such consumer if it were served by Municipality. The supply of power by TVA to Municipality for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Municipality under said resale rate schedules, and the contract for such resale between Municipality and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Municipality and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Municipality shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Municipality regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Municipality would be entitled to serve hereunder, TVA shall notify Municipality of the time schedule upon which the additional power required for such service could be made available to Municipality at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Municipality shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Municipality, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Municipality which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Municipality to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Municipality.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Municipality to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point	*Normal Wholesale Delivery Voltage*
69-kV side of the Erwin Substation	69,000

It is recognized that load growth and development and the maintenance of high quality service in Municipality's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Municipality and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Municipality is referred to as "Distributor." Subject to the other provisions of this contract, Municipality shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WP.

The payments to be made hereunder shall be made solely and exclusively from the revenues of the electric system and shall not be a charge upon Municipality's general funds.

5. *Resale Rates.* In distributing electric energy in the area served by Municipality, the parties agree as follows:

(a) Municipality agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Municipality agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RP-J, GP-J, TGP, and LP of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Municipality shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RP Schedule, and (2) 10 days, for customers served under the GP and TGP Schedules, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Municipality for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), Board and TVA shall agree upon, and Municipality shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, Board and TVA shall agree upon a reduction in said rates and charges, and Municipality shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Municipality agrees to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;

(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;

(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and

(4) From any revenues then remaining, tax equivalent payments into Municipality's general funds, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Municipality will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Municipality will take such affirmative action as is necessary to insure that all applicants are considered

for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Municipality will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Municipality will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Municipality hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Municipality is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Municipality at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Municipality, to the extent of their capacity in excess of the requirements of Municipality, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Municipality the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Municipality by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Municipality from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Municipality without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated June 25, 1965, and numbered TV-27032A, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, between the parties hereto, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) Letter Agreement TV-87304, Supplement No. 6, dated November 3, 1958, relative to a building used jointly by the electric system and other municipal operations;

(b) Section 3 of Agreement TV-27032A, Supplement No. 6, dated December 14, 1976, relative to application of a monthly facilities rental credit to billings under the Wholesale Power Rate Schedule; and

(c) Lease and Amendatory Agreement TV-27032A, Supplement No. 11, dated June 28, 1984, relative to the lease by Municipality of TVA's Erwin Substation.

All references in the letter agreement referred to in item (a) above to the power contract dated March 30, 1945, and all references in the agreement referred to in item (c) above to the power contract dated June 25, 1965, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of June 30, 1985, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Municipality should give notice of termination hereunder, TVA shall be under no obligation

from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Municipality unless Municipality agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
(s) Helen S. Drummer
Assistant Secretary
OGC (s) SDK

TENNESSEE VALLEY AUTHORITY
By (s) W. F. Willis
General Manager

Attest:
(s) Edward Hammer
Secretary-Treasurer

TOWN OF ERWIN, TENNESSEE
By Board of Public Utilities
By (s) B. J. Moore
Chairman

Attest:
(s) Joe E. Frazier
City Recorder

Approved:
TOWN OF ERWIN, TENNESSEE
By (s) Herman May
Mayor

Approved by TVA
Board of Directors
JUN 18 1985
(s) HSD
Assistant Secretary

RESIDENTIAL RATE—SCHEDULE RP-J
(July 1983)

Availability

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate Schedule; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate Schedule.

Character of Service

Alternating current, single-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

Base Charges

Customer Charge: $2.70 per month

Energy Charge: First 2,000 kWh per month at 4.485 cents per kWh
Additional " " " " 5.141 " " kWh

Adjustment

The base energy charge shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Minimum Monthly Bill

The base customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GP-J
(July 1983)

Availability

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

Character of Service

Alternating current, single or three-phase, 60 hertz. Under A below, power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Under B below, power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Base Charges

A. If the customer's billing demand for the month and its contract demand, if any, are each 5,000 kW or less:

Customer Charge: $7.70 per delivery point per month

Demand Charge: First 50 kW of billing demand per month, no demand charge
Next 50 kW of billing demand per month, at $5.62 per kW
Excess over 100 kW of billing demand per month, at $5.87 per kW

Energy Charge:

First	15,000	kWh	per	month	at	5.258	cents	per kWh
Next	85,000	"	"	"	"	3.646	"	" kWh
Next	400,000	"	"	"	"	3.104	"	" kWh
Additional		"	"	"	"	3.087	"	" kWh

B. If either the customer's billing demand for the month or its contract demand is greater than 5,000 kW:

Customer Charge: $1,500 per delivery point per month

Demand Charge: $7.56 per kW of billing demand per month, plus an additional

$7.56 per kW per month for each kW, if any, by which customer's billing demand exceeds its contract demand

Energy Charge: 2.703 cents per kWh per month

Adjustment

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Facilities Rental Charge Applicable Under B Above

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 33 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 87 cents per kW per month for the first 10,000 kW and 68 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

Determination of Demand

Distributor shall measure the demands in kW of all customers having loads in excess of 50 kW. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kW, (2) 70 percent of the next 45,000 kW, and (3) 90 percent of all kW in excess of 50,000 kW of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge, as adjusted, applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

The monthly bill under B above, excluding any facilities rental charges, shall not be less than the sum of (1) the base customer charge and (2) the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

Seasonal Service

Customers who contract for service on a seasonal basis shall be limited to 1,500 kW and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of $8.50 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 10.00 cents per kWh of the maximum monthly consumption for customers whose billing demand does not exceed 50 kW or (b) 25.00 dollars per kW of the maximum billing demand established for customers whose billing demand is over 50 kW. Such amounts in cents per kWh and dollars per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect increases or decreases in the demand and energy charges in part A of this rate schedule.

Distributor may require minimum bills higher than those stated above.

Contract Requirement

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand requirements exceed 50 kW shall be required to execute contracts and such contracts shall be for an initial term of at least one year. If the customer's demand requirements are in excess of 5,000 kW, the contract shall be for an initial term of at least five years and any renewal or extension of the initial contract shall also be for a term of at least five years. If the customer's demand requirements are in excess of 15,000 kW, the contract shall be for an initial term of at least ten years and any renewal or extension of the initial contract shall be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, change, or replacement from time to time upon agreement between Distributor and TVA.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And CITY OF GREENEVILLE, TENNESSEE

THIS CONTRACT, made and entered into as of the 23rd day of May, 1985, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and CITY OF GREENEVILLE (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the State of Tennessee;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality owns an electric system which is managed and operated by a board of public utilities (hereinafter called "Board"), and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Municipality's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Municipality agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Municipality agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Municipality at the delivery point or points specified in or hereafter established under section 3 hereof and Municipality shall take and distribute the electric power required for service to Municipality's customers. Municipality shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Municipality and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Municipality shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Municipality to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Municipality would receive the energy for such consumer if it were served by Municipality. The supply of power by TVA to Municipality for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Municipality under said resale rate schedules, and the contract for such resale between Municipality and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Municipality and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Municipality shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Municipality regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Municipality would be entitled to serve hereunder, TVA shall notify Municipality of the time schedule upon which the additional power required for such service could be made available to Municipality at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Municipality shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Municipality, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Municipality which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Municipality to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Municipality.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Municipality to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point	*Normal Wholesale Delivery Voltage*
161-kV side of the Tusculum 161-kV Substation	161,000
161-kV side of the Industrial Park Substation	161,000

It is recognized that load growth and development and the maintenance of high quality service in Municipality's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Municipality and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Municipality is referred to as "Distributor." Subject to the other provisions of this contract, Municipality shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WP.

The payments to be made hereunder shall be made solely and exclusively from the revenues of the electric system and shall not be a charge upon Municipality's general funds.

5. *Resale Rates.* In distributing electric energy in the area served by Municipality, the parties agree as follows:

(a) Municipality agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Municipality agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RP-I, GP-I, TGP, and LP of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Municipality shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RP Schedule, and (2) 10 days, for customers served under the GP and TGP Schedules, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Municipality for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), Board and TVA shall agree upon, and Municipality shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, Board and TVA shall agree upon a reduction in said rates and charges, and Municipality shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Municipality agrees to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;

(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;

(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and

(4) From any revenues then remaining, tax equivalent payments into Municipality's general funds, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Municipality will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Municipality will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Municipality will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Municipality will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Municipality hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Municipality is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Municipality at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Municipality, to the extent of their capacity in excess of the requirements of Municipality, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Municipality the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Municipality by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Municipality from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Municipality without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated May 27, 1965, and numbered TV-27002A, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, between the parties hereto, it being the intention of the parties that said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with the provisions of each agreement, respectively:

(a) Sections 3 and 12 and the third paragraph of section 4 of Lease and Amendatory Agreement TV-7480A, Supplement No. 11, dated June 25, 1964, setting out the parties' rights and obligations relative to (1) Municipality's use of the rights-of-way for certain transmission lines of TVA for the operation and maintenance thereon of a 12.5-kV distribution line, (2) the parties' joint use of transmission line facilities to support transmission and communication facilities, and (3) fencing arrangements at the Tusculum 161-kV Substation;

(b) Section 1 of Letter Agreement TV-7480A, Supplement No. 13, dated September 17, 1969, setting out the parties' rights and obligations relative to Municipality's use of the rights of way for certain transmission lines of TVA for the operation and maintenance thereon by Municipality of a 69-kV transmission line;

(c) Section 3 of Agreement TV-27002A, Supplement No. 8, dated December 13, 1976, relative to application of a monthly facilities rental credit to billings under the Wholesale Power Rate Schedule;

(d) Lease and Amendatory Agreement TV-27002A, Supplement No. 10, dated June 10, 1977, relative to the lease by Municipality of certain facilities at the Tusculum 161-kV Substation;

(e) The provisions of sections 2 and 3 of Letter Agreement TV-27002A, Supplement No. 13, dated October 27, 1980, setting out certain rights and obligations of the parties relative to the Industrial Park Substation; and

(f) Letter Agreement TV-27002A, Supplement No. 20, dated February 21, 1985, relative to arrangements for the elimination of Municipality's 69-kV delivery point at the Locust Springs Substation.

All references in said agreements, or portions thereof, to the power contract dated May 27, 1965, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of July 1, 1985, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Municipality should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Municipality unless Municipality agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
(s) Helen S. Drummer
Assistant Secretary
OGC (s) SDK

TENNESSEE VALLEY AUTHORITY
By (s) W. F. Willis
General Manager

Attest:
(s) Robert C. Lay
Manager

CITY OF GREENEVILLE, TENNESSEE
By Board of Public Utilities
By (s) Charles Worley
Chairman

Attest: (Seal)
(s) Thomas S. Leonard
Recorder

Approved:
CITY OF GREENEVILLE, TENNESSEE
By (s) G. Thomas Love
Mayor

POWER CONTRACT Among TENNESSEE VALLEY AUTHORITY, ELECTRIC PLANT BOARD OF THE CITY OF HICKMAN, KENTUCKY, And CITY OF HICKMAN, KENTUCKY

THIS CONTRACT, made and entered into as of the 14 day of February, 1985, by and among TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"); the ELECTRIC PLANT BOARD OF THE CITY OF HICKMAN, KENTUCKY (hereinafter called "Board"), a corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky, acting for itself and as agent of the City of Hickman, Kentucky; and the CITY OF HICKMAN, KENTUCKY (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality has established Board pursuant to the laws of the Commonwealth of Kentucky for purposes of acquiring, constructing, operating, maintaining, and managing a municipal electric system and, under said laws, Board has the power to act as agent of Municipality in all matters pertaining thereto; and

WHEREAS, Board operates an electric system and in the operation thereof is presently purchasing and desires to continue to purchase the entire power requirements for said system from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Board's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Board agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Board or Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Board agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Board at the delivery point or points specified in or hereafter established under section 3 hereof and Board shall take and distribute the electric power required for service to Board's customers. Board shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Board and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Board shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Board to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Board would

receive the energy for such consumer if it were served by Board. The supply of power by TVA to Board for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Board under said resale rate schedules, and the contract for such resale between Board and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Board and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by TVA or Board which, because of changed conditions, may become a consumer which the other is entitled to serve under the provisions of subsection (b) of this section. In any such case TVA and Board, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Board shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Board regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Board would be entitled to serve hereunder, TVA shall notify Board of the time schedule upon which the additional power required for such service could be made available to Board at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Board shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Board, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Board which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Board to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Board.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Board to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point	*Normal Wholesale Delivery Voltage*
Tap structure in Clinton-Hickman 69-kV Line approximately 3,924 feet from the Hickman Substation	69,000

It is recognized that load growth and development and the maintenance of high quality service in Board's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Board and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither Board nor TVA shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Board is referred to as "Distributor." Subject to the other provisions of this contract, Board shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WP.

The payments to be made hereunder shall be made solely and exclusively from the revenues of Board's electric system and shall not be a charge upon Municipality's general funds or Board's other funds.

5. *Resale Rates.* In distributing electric energy in the area served by Board, the parties agree as follows:

(a) Board agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Board agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RP-S, GP-S, DPP-S, TGP, and LP of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Board shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RP Schedule, and (2) 10 days, for customers served under the GP, DPP, and TGP Schedules, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Board for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties hereto shall agree upon, and Board shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Board shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Board agrees to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;

(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;

(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and

(4) From any revenues then remaining, tax equivalent payments, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Board will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Board will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Board will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Board will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Board hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Board is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Board at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Board, to the extent of their capacity in excess of the requirements of Board, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Board the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Board by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Board from any damage or injury caused by TVA's exercise of such use.

11. *Municipality's Participation.* Municipality's participation in this contract is limited to, and Municipality hereby approves and shall be bound by, all of the provisions of this contract with respect to which the approval, consent, execution, or other action of Municipality is or may be required in order to make the contract, or its respective provisions, the valid and binding obligation or obligations of the parties. The execution of this contract by Municipality shall signify conclusively that its governing body approves and deems appropriate all of the covenants, provisions, terms, and conditions of this contract and that it will from time to time take such actions as may be necessary to enable Board to validly comply with their language, tenor, and intent.

12. *Waiver of Defaults.* Any waiver at any time by any party hereto of its rights with respect to any default of any other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

13. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Board without the consent of TVA.

14. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality or Board offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract.

15. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated April 5, 1965, and numbered TV-25836A, as supplemented and amended, among the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of section 3 of Agreement TV-25836A, Supplement No. 8, dated December 13, 1976, relative to application of a monthly facilities rental credit to billings under the Wholesale Power Rate Schedule, it being the intention of the parties

that such provision of said agreement shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with the provisions of such agreement.

16. *Term of Contract.* This contract shall become effective as of April 5, 1985, and shall continue in effect for 20 years from said date, subject to termination by either Board or TVA, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Board should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Board unless Board agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
(s) Helen S. Drummer
Assistant Secretary
OGC (s) SDK

TENNESSEE VALLEY AUTHORITY
By (s) W. F. Willis
General Manager

Attest:

(s) Guelda A. Coffey
Bookkeeper
Secretary/Treasurer

ELECTRIC PLANT BOARD OF THE CITY OF HICKMAN, KENTUCKY
By (s) James Eakes
Superintendent

Attest:
(s) Hollica Prather
City Clerk

CITY OF HICKMAN, KENTUCKY
By (s) Joe H. Rumfelt
Mayor

Approved by TVA
Board of Directors
MAR 19 1985
(s) HSD
Assistant Secretary

RESIDENTIAL RATE—SCHEDULE RP-S
(July 1983)

Availability

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate Schedule; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate Schedule.

Character of Service

Alternating current, single-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

Base Charges

Customer Charge: $6.70 per month

Energy Charge: First 2,000 kWh per month at 5.049 cents per kWh
Additional " " " " 5.705 " " kWh

Adjustment

The base energy charge shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Minimum Monthly Bill

The base customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GP-S
(July 1983)

Availability

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

Character of Service

Alternating current, single or three-phase, 60 hertz. Under A below, power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Under B below, power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Base Charges

A. If the customer's billing demand for the month and its contract demand, if any, are each 5,000 kW or less:

Customer Charge: $11.70 per delivery point per month

Demand Charge: First 50 kW of billing demand per month, no demand charge
Next 50 kW of billing demand per month, at $7.37 per kW
Excess over 100 kW of billing demand per month, at $7.37 per kW

Energy Charge:

First	15,000	kWh	per	month	at	6.272	cents per kWh
Next	85,000	"	"	"	"	4.619	" " kWh
Next	400,000	"	"	"	"	3.125	" " kWh
Additional		"	"	"	"	3.108	" " kWh

B. If either the customer's billing demand for the month or its contract demand is greater than 5,000 kW:

Customer Charge: $1,500 per delivery point per month

Demand Charge: $7.56 per kW of billing demand per month, plus an additional

$7.56 per kW per month for each kW, if any, by which customer's billing demand exceeds its contract demand

Energy Charge: 2.703 cents per kWh per month

Adjustment

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Facilities Rental Charge Applicable Under B Above

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 33 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 87 cents per kW per month for the first 10,000 kW and 68 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

Determination of Demand

Distributor shall measure the demands in kW of all customers having loads in excess of 50 kW. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kW, (2) 70 percent of the next 45,000 kW, and (3) 90 percent of all kW in excess of 50,000 kW of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge, as adjusted, applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

The monthly bill under B above, excluding any facilities rental charges, shall not be less than the sum of (1) the base customer charge and (2) the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

Seasonal Service

Customers who contract for service on a seasonal basis shall be limited to 1,500 kW and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of $12.90 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 12.00 cents per kWh of the maximum monthly consumption for customers whose billing demand does not exceed 50 kW or (b) 30.00 dollars per kW of the maximum billing demand established for customers whose billing demand is over 50 kW. Such amounts in cents per kWh and dollars

per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect increases or decreases in the demand and energy charges in part A of this rate schedule.

Distributor may require minimum bills higher than those stated above.

Contract Requirement

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand requirements exceed 50 kW shall be required to execute contracts and such contracts shall be for an initial term of at least one year. If the customer's demand requirements are in excess of 5,000 kW, the contract shall be for an initial term of at least five years and any renewal or extension of the initial contract shall also be for a term of at least five years. If the customer's demand requirements are in excess of 15,000 kW, the contract shall be for an initial term of at least ten years and any renewal or extension of the initial contract shall be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, change, or replacement from time to time upon agreement between Distributor and TVA.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

DRAINAGE PUMPING STATION RATE—SCHEDULE DPP-S
(July 1983)

Availability

Available for electric service not in excess of 5,000 kW to a municipality or other Governmental Agency for the operation of pumping apparatus, the use of which is occasioned by floods and is extremely intermittent.

Character of Service

Alternating current, three-phase, 60 hertz. Power shall be delivered at a voltage available in the vicinity or agreed to by Distributor.

Base Charges

Customer Charge: $11.70 per delivery point per month

Demand Charge: $7.56 per kW of the billing demand per month as determined in *Determination of Billing Demand* below

Energy Charge:

First	15,000	kWh	per	month	at	3.256	cents per kWh
Next	85,000	"	"	"	"	3.130	" " kWh
Next	400,000	"	"	"	"	3.125	" " kWh
Additional		"	"	"	"	3.108	" " kWh

Adjustment

The base demand and energy charges for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA and the amounts applicable shall be those specified as the base demand charge adjustment for Wholesale Power Rate—Schedule WP and as the base energy charge adjustment for energy use above 15,000 kWh for General Power Rates - GP Series - Customers billed under Part "A."

Facilities Rental

In the event a billing demand, as determined under the provisions of *Determination of Billing Demand* below, is established for any month by the customer's use and the demand on which such billing demand is based coincides with Distributor's highest demand for purposes of determining the monthly wholesale billing by TVA to Distributor for facilities rental for the affected delivery point as defined in said provisions, the customer shall pay to Distributor, in addition to all other charges under this rate schedule including minimum bill charges, a monthly facilities rental charge equal to such wholesale billing for facilities rental multiplied by the ratio of such billing demand to Distributor's said highest demand. When a facilities rental charge becomes applicable hereunder it shall continue for every successive month thereafter in which Distributor's wholesale facilities rental charges are based on Distributor's highest demand with which the aforesaid demand (on which the billing demand is based) coincided.

Determination of Billing Demand

Distributor shall determine, in such manner as it deems appropriate, the demands in kW of all customers to whom service is available hereunder. The demand as so determined shall be the higher of (a) the load in kW or (b) 85 percent of the load in kVA. For any month in which the demand established by the pumping apparatus occurs during any portion of the 60-consecutive-minute period of the month when the billing demand is established for the wholesale delivery point at which Distributor takes power and energy made available under this rate schedule, there shall be a billing demand hereunder for that month. The billing demand shall be the average demand established by the pumping apparatus during such portion of said period, as adjusted by the addition of appropriate losses to reflect delivery at said wholesale delivery point.

Minimum Bill

The customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required because of special circumstances affecting Distributor's cost of rendering service.

Contract Requirement

Customers to whom this rate schedule is applicable shall be required to execute contracts, and such contracts shall be for a term of at least five years.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And CITY OF JOHNSON CITY, TENNESSEE

THIS CONTRACT, made and entered into as of the 2 day of May, 1985, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and CITY OF JOHNSON CITY, TENNESSEE (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the State of Tennessee;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality owns an electric system which is managed and operated by a board of public utilities (hereinafter called "Board"), and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Municipality's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Municipality agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Municipality agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Municipality at the delivery point or points specified in or hereafter established under section 3 hereof and Municipality shall take and distribute the electric power required for service to Municipality's customers. Municipality shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Municipality and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Municipality shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Municipality to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Municipality would receive the energy for such consumer if it were served by Municipality. The supply of power by TVA to Municipality for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Municipality under said resale rate schedules, and the contract for such resale between Municipality and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Municipality and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Municipality shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Municipality regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Municipality would be entitled to serve hereunder, TVA shall notify Municipality of the time schedule upon which the additional power required for such service could be made available to Municipality at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Municipality shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Municipality, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Municipality which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Municipality to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Municipality.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Municipality to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point	*Normal Wholesale Delivery Voltage*
161-kV side of the Northeast Johnson City 161-kV Substation	161,000
161-kV side of TVA's Boone Hydro Plant Substation	161,000

It is recognized that load growth and development and the maintenance of high quality service in Municipality's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Municipality and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Municipality is referred to as "Distributor." Subject to the other provisions of this contract, Municipality shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WP.

The payments to be made hereunder shall be made solely and exclusively from the revenues of the electric system and shall not be a charge upon Municipality's general funds.

5. *Resale Rates.* In distributing electric energy in the area served by Municipality, the parties agree as follows:

(a) Municipality agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Municipality agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RP-G, GP-G, TGP, and LP of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Municipality shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RP Schedule, and (2) 10 days, for customers served under the GP and TGP Schedules, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Municipality for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), Board and TVA shall agree upon, and Municipality shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, Board and TVA shall agree upon a reduction in said rates and charges, and Municipality shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Municipality agrees to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;

(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;

(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and

(4) From any revenues then remaining, tax equivalent payments into Municipality's general funds, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Municipality will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Municipality will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Municipality will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Municipality will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Municipality hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Municipality is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Municipality at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Municipality, to the extent of their capacity in excess of the requirements of Municipality, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Municipality the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Municipality by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Municipality from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Municipality without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated June 18, 1965, and numbered TV-27024A, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, between the parties hereto, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) Section 3 of Agreement TV-27024A, Supplement No. 12, dated December 29, 1976, relative to application of a monthly facilities rental credit to billings under the Wholesale Power Rate Schedule; and

(b) Lease and Amendatory Agreement TV-27024A, Supplement No. 19, dated December 13, 1983, relative to the lease by Municipality of certain transmission and substation facilities from TVA and the acquisition of capacity by Municipality in certain transformation facilities at the Boone Hydro Plant and Ft. Patrick Hydro Plant Substations.

All references in said agreements, or portions thereof, to the power contract dated June 18, 1965, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of June 30, 1985, and shall continue in effect for 20 years from said date, subject to termination by either party, effective

not earlier than 10 years from said date, on not less than four years' prior written notice. If Municipality should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Municipality unless Municipality agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
(s) Helen S. Drummer
Assistant Secretary
OGC (s) RAK

Attest:
(s) W. L. Price
Secretary

Attest:
(s) James H. Crumley

TENNESSEE VALLEY AUTHORITY
By (s) W. F. Willis
General Manager

CITY OF JOHNSON CITY, TENNESSEE
By Board of Public Utilities
By (s) Earnest L. McKinney, Sr.
Chairman

Approved:
CITY OF JOHNSON CITY, TENNESSEE
By (s) Raymond E. Huff
Mayor

Approved by TVA
Board of Directors
JUN 18 1985
(s) HSD
Assistant Secretary

POWER CONTRACT Among TENNESSEE VALLEY AUTHORITY, CITY OF MEMPHIS, TENNESSEE, And MEMPHIS LIGHT, GAS AND WATER DIVISION

THIS CONTRACT, made and entered into as of the 26th day of December, 1984, by and among TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), CITY OF MEMPHIS (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the State of Tennessee, and MEMPHIS LIGHT, GAS AND WATER DIVISION of the City of Memphis, acting by and through the Board of Light, Gas and Water Commissioners (hereinafter called "Board"), pursuant to Chapter 381 of the Private Acts of the State of Tennessee of 1939, as amended;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality owns an electric transmission and distribution system which is managed and operated by Board and, in the operation thereof, is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Board's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Municipality and Board agree that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Municipality or Board. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Municipality and Board agree that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Board at the interconnection point or points specified in or hereafter established under section 3 hereof and Board shall take and distribute the electric power required for service to Board's customers. Board shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Board and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Board shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Board to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Board would receive the energy for such consumer if it were served by Board. The supply of power by TVA to Board for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Board under said resale rate schedules, and the contract for such resale between Board and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Board and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by TVA or Board which, because of changed conditions, may become a consumer which the other is entitled to serve under the provisions of subsection (b) of this section. In any such case TVA and Board, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Board shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Board regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Board would be entitled to serve hereunder, TVA shall notify Board of the time schedule upon which the additional power required for such service could be made available to Board at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Board shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Board, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Municipality or Board which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Board to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Board.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the interconnection points designated below (sometimes herein called delivery points) and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below a normal wholesale delivery voltage of 161,000 volts for each delivery point; provided, however, that said normal wholesale delivery voltage of 161,000 volts may be changed by TVA from time to time upon notice to Board to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 161,000 volts will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of Board and TVA may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Interconnection Point	*Normal Wholesale Delivery Voltage*
161-kV side of Allen Steam Plant Substation	161,000
161-kV side of TVA's Cordova 500-kV Substation	161,000
161-kV side of TVA's Shelby 500-kV Substation	161,000

TVA shall not be obligated to deliver at the Allen Steam Plant interconnection point power and energy in excess of the actual generation from time to time of the Allen Steam Plant.

It is recognized that load growth and development and the maintenance of high quality service in Board's area may require new interconnection points from time to time. Such new interconnection points will be established by mutual agreement. In reaching such agreement Board and TVA shall be guided by the policy of providing the most economical of the practical

combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Notwithstanding the provisions of Wholesale Power Rate—Schedule WP, deliveries of power and energy at all interconnection points shall be billed as if delivered at a single delivery point and Board's system demand for any 60 consecutive minute period of the month will be obtained by determining the higher value of either (1) the sum of the demands in kilowatts in such period for all interconnection points or (2) 85 percent of the total demand in kVA for such period as computed from total kilowatt demands and total kilovar demands for all interconnection points plus any correction for cooperatively installed capacitors, plus 10 percent of the excess over 5,000 kVA of the maximum kVA demand for the month for each individual consumer. The billing demand for any month shall be Board's maximum system demand for any 60 consecutive minute period of the month.

Neither Board nor TVA shall be responsible for installing at any interconnection point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Board is referred to as "Distributor." Subject to the other provisions of this contract, Board shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WP. For purposes of determining the size of a consumer's load which Board is entitled to serve under and subject to the limitations of section 2(b) hereof and, notwithstanding any provision to the contrary appearing in said Schedule WP, for purposes of determining the amount of any adjustment made in accordance with the second paragraph of the section entitled "Adjustments" in said Schedule WP, all interconnection points specified in section 3 hereof shall be considered as a single delivery point.

The payments to be made hereunder shall be made solely and exclusively from the revenues of the electric system and shall not be a charge upon Municipality's general funds or upon Board's nonelectric system revenues or funds.

5. *Resale Rates.* In distributing electric energy in the area served by Board, the parties agree as follows:

(a) Board agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly .

(b) Board agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RP-L, GP-L, TGP, DPP-L, and LP of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Board shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RP Schedule, and (2) 10 days, for customers served under the GP, DPP, and TGP Schedules, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Municipality or Board for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties shall agree upon, and Board shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Board shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Municipality and Board agree to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;
(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;
(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and
(4) From any revenues then remaining, tax equivalent payments into Municipality's general funds, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Board will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Board will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Board will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Board will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Board hereby affirms the adoption of Rules and Regulations as set out in the "Schedule of Rules and Regulations" attached hereto, in which Board is referred to as "MLGW." Such Rules and Regulations may be amended, supplemented, or repealed by Board at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said Rules and Regulations, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Board, to the extent of their capacity in excess of the requirements of Board, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Board the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Board by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Board from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by any party hereto of its rights with respect to any default of any other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Municipality or Board without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality or Board offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary

value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated January 1, 1963, and numbered TV-23708A, as supplemented and amended, among the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, among the parties hereto, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) Letter Agreement TV-23708A, Supplement No. 15, dated May 22, 1975, relative to operation and maintenance of facilities at the Cordova 500-kV Substation site;

(b) Section 3 of Agreement TV-23708A, Supplement No. 18, dated February 17, 1977, relative to the application of a monthly facilities credit to billings under the Wholesale Power Rate Schedule;

(c) Cogeneration Agreement TV-56678A, dated May 13, 1981, relative to arrangements for the purchase by TVA of cogenerated power and energy from Hunt-Wesson Foods, Inc.;

(d) Letter Agreement TV-23708A, Supplement No. 29, dated December 15, 1981, relative to the operation and maintenance of facilities at the Shelby 500-kV Substation;

(e) Cogeneration Agreement TV-62033A, dated October 1, 1982, relative to arrangements for the purchase by TVA of cogenerated power and energy from Cargill, Incorporated;

(f) Cogeneration Agreement TV-62034A, dated October 1, 1982, relative to arrangements for the purchase by TVA of cogenerated power and energy from Memphis Hardwood Flooring Company;

(g) Letter Agreement TV-23708A, Supplement No. 34, dated November 14, 1983, relative to the application by Board of an alternative seasonal service rate schedule on a temporary basis; and

(h) Letter Agreement TV-27383A, Supplement No. 2, dated January 13, 1984, relative to the operation and maintenance of station service facilities at the Cordova 500-kV Substation;

All references in said agreements, or portions thereof, to the power contract dated January 1, 1963, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of January 1, 1985, and shall continue in effect for 20 years from said date, subject to termination by either Board or TVA, effective not earlier than 10 years from said date, on not less than four years' prior written notice.

If Board should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Board unless Board agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
(s) Helen S. Drummer
Assistant Secretary
OGC (s) SDK
Attest:
(s) Illegible
Comptroller

(s) Illegible
City Attorney

Attest:

(s) Marvin B. Benson
Secretary/Treasurer

(s) Frierson M. Graves, Jr.
General Counsel

TENNESSEE VALLEY AUTHORITY
By (s) W. F. Willis
General Manager

CITY OF MEMPHIS, TENNESSEE
By (s) Richard Hackett
Mayor

MEMPHIS LIGHT, GAS AND WATER DIVISION
By Board of Light, Gas and Water Commissioners
By (s) Larry W. Papasan
President

Approved by TVA
Board of Directors
DEC 27 1984
(s) HSD
Assistant Secretary

RESIDENTIAL RATE—SCHEDULE RP-L
(July 1983)

Availability

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate Schedule; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate Schedule.

Character of Service

Alternating current, single-phase, 60 hertz. Power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

Base Charges

Customer Charge: $3.30 per month

Energy Charge: First 2,000 kWh per month at 4.579 cents per kWh
Additional " " " " 5.235 " " kWh

Adjustment

The base energy charge shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Minimum Monthly Bill

The base customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GP-L
(July 1983)

Availability

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

Character of Service

Alternating current, single or three-phase, 60 hertz. Under A below, power shall be delivered at a service voltage available in the vicinity or agreed to by Distributor. Under B below, power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Base Charges

A. If the customer's billing demand for the month and its contract demand, if any, are each 5,000 kW or less:

Customer Charge: $8.30 per delivery point per month

Demand Charge: First 50 kW of billing demand per month, no demand charge
Next 50 kW of billing demand per month, at $5.97 per kW
Excess over 100 kW of billing demand per month, at $6.17 per kW

Energy Charge:

First	15,000	kWh	per	month	at	5.400	cents	per kWh
Next	85,000	"	"	"	"	3.779	"	" kWh
Next	400,000	"	"	"	"	3.108	"	" kWh
Additional		"	"	"	"	3.091	"	" kWh

B. If either the customer's billing demand for the month or its contract demand is greater than 5,000 kW:

Customer Charge: $1,500 per delivery point per month

Demand Charge: $7.56 per kW of billing demand per month, plus an additional

$7.56 per kW per month for each kW, if any, by which customer's billing demand exceeds its contract demand

Energy Charge: 2.703 cents per kWh per month

Adjustment

The base demand and energy charges shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

Facilities Rental Charge Applicable Under B Above

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 33 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 87 cents per kW per month for the first 10,000 kW and 68 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the higher of (1) the highest billing demand established during the latest 12-consecutive-month period or (2) the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

Determination of Demand

Distributor shall measure the demands in kW of all customers having loads in excess of 50 kW. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kW or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000

kW, (2) 70 percent of the next 45,000 kW, and (3) 90 percent of all kW in excess of 50,000 kW of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

Minimum Bill

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge, as adjusted, applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

The monthly bill under B above, excluding any facilities rental charges, shall not be less than the sum of (1) the base customer charge and (2) the base demand charge, as adjusted, (but excluding the additional portion thereof applicable to excess of billing demand over contract demand) applied to the higher of (a) the currently effective contract demand or (b) the highest billing demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

Seasonal Service

Customers who contract for service on a seasonal basis shall be limited to 1,500 kW and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of $9.15 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 10.00 cents per kWh of the maximum monthly consumption for customers whose billing demand does not exceed 50 kW or (b) 26.00 dollars per kW of the maximum billing demand established for customers whose billing demand is over 50 kW. Such amounts in cents per kWh and dollars per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA, to reflect increases or decreases in the demand and energy charges in part A of this rate schedule.

Distributor may require minimum bills higher than those stated above.

Contract Requirement

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand requirements exceed 50 kW shall be required to execute contracts and such contracts shall be for an initial term of at least one year. If the customer's demand requirements are in excess of 5,000 kW, the contract shall be for an initial term of at least five years and any renewal or extension of the initial contract shall also be for a term of at least five years. If the customer's demand requirements are in excess of 15,000 kW, the contract shall be for an initial term of at least ten years and any renewal or extension of the initial contract shall be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, change, or replacement from time to time upon agreement between Distributor and TVA.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

DRAINAGE PUMPING STATION RATE—SCHEDULE DPP-L
(July 1983)

Availability

Available for electric service not in excess of 5,000 kW to a municipality or other Governmental Agency for the operation of pumping apparatus, the use of which is occasioned by floods and is extremely intermittent.

Character of Service

Alternating current, three-phase, 60 hertz. Power shall be delivered at a voltage available in the vicinity or agreed to by Distributor.

Base Charges

Customer Charge: $8.30 per delivery point per month

Demand Charge: $7.56 per kW of the billing demand per month as determined in *Determination of Billing Demand* below

Energy Charge:

First	15,000	kWh	per	month	at	3.207	cents	per kWh
Next	85,000	"	"	"	"	3.113	"	" kWh
Next	400,000	"	"	"	"	3.108	"	" kWh
Additional		"	"	"	"	3.091	"	" kWh

Adjustment

The base demand and energy charges for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA and the amounts applicable shall be those specified as the base demand charge adjustment for Wholesale Power Rate—Schedule WP and as the base energy charge adjustment for energy use above 15,000 kWh for General Power Rates - GP Series - Customers billed under Part "A."

Facilities Rental

In the event a billing demand, as determined under the provisions of *Determination of Billing Demand* below, is established for any month by the customer's use and the demand on which such billing demand is based coincides with Distributor's highest demand for purposes of determining the monthly wholesale billing by TVA to Distributor for facilities rental for the affected delivery point as defined in said provisions, the customer shall pay to Distributor, in addition to all other charges under this rate schedule including minimum bill charges, a monthly facilities rental charge equal to such wholesale billing for facilities rental multiplied by the ratio of such billing demand to Distributor's said highest demand. When a facilities rental charge becomes applicable hereunder it shall continue for every successive month thereafter in which Distributor's wholesale facilities rental charges are based on Distributor's highest demand with which the aforesaid demand (on which the billing demand is based) coincided.

Determination of Billing Demand

Distributor shall determine, in such manner as it deems appropriate, the demands in kW of all customers to whom service is available hereunder. The demand as so determined shall be the higher of (a) the load in kW or (b) 85 percent of the load in kVA. For any month in which the demand established by the pumping apparatus occurs during any portion of the 60-consecutive-minute period of the month when the billing demand is established for the wholesale delivery point at which Distributor takes power and energy made available under this rate schedule, there shall be a billing demand hereunder for that month. The billing demand shall be the average demand established by the pumping apparatus during such portion of said period, as adjusted by the addition of appropriate losses to reflect delivery at said wholesale delivery point.

Minimum Bill

The customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required because of special circumstances affecting Distributor's cost of rendering service.

Contract Requirement

Customers to whom this rate schedule is applicable shall be required to execute contracts, and such contracts shall be for a term of at least five years.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Single-Point Delivery

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed.

Service is subject to Rules and Regulations of Distributor.

SCHEDULE OF TERMS AND CONDITIONS

1. *Financial and Accounting Policy.* Municipality and Board agree to be bound by the following statement of financial and accounting policy:

(a) Except as hereinafter provided, Municipality and Board shall administer, operate, and maintain the electric system as a separate department in all respects, shall establish and maintain a separate fund for the revenues from electric operations, and shall not directly or indirectly mingle electric system funds or accounts, or otherwise consolidate or combine the financing of the electric system, with those of any other of their operations. The restrictions of this subsection include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues, credit or property to other operations of Municipality or Board, the purchase or payment of, or providing security for, indebtedness or other obligations applicable to such other operations, and payment of greater than standardized or market prices for property or services from other departments of Municipality or Board. In the interest of efficiency and economy, Municipality and Board may use property and personnel jointly for the electric system and other operations, subject to agreement between Municipality and/or Board and TVA as to appropriate allocations, based on direction of effort, relative use, or similar standards, of any and all joint investments, salaries and other expenses, funds, or use of property or facilities.

(b) Board shall keep the general books of accounts of the electric system according to the Federal Energy Regulatory Commission Uniform System of Accounts. Board shall allow the duly authorized agents of TVA to have free access at all reasonable times to all books and records relating to electric system operations. TVA may provide advisory accounting service, in reasonable amount, to help assure the proper setting up and administering of such accounts.

(c) Board shall supply TVA not later than August 15 of each year with an annual financial report in such form as may be requested, of electric system transactions for the preceding year ending June 30 and of electric system assets and liabilities as of June 30. Board shall furnish promptly to TVA each month such printed operating, statistical, and financial reports relating to electric system operations as may reasonably be requested by TVA. (Where information relating to such statistical reports is maintained on computers Board will also provide such statistical report information by a computer medium, working with TVA in developing a satisfactory format.) In the event of failure by Board to furnish promptly any such reports, TVA, following written notification to Board of intention to do so, may with its own staff perform at Board's expense all work necessary to collect and process the data necessary to provide the information that should have been furnished in the reports.

(d) Board shall have the electric system financial statements examined annually by independent certified public accountants in accordance with generally accepted auditing

standards and shall publish the financial statements, along with the auditor's certificate, in a newspaper of general circulation in the area.

2. *Payments in Lieu of Taxes.*

(a) To the extent revenues are available after the satisfaction of all items set forth in paragraphs (1), (2), and (3) of section 6(a) of the contract of which these Terms and Conditions are a part, Municipality may take each year from the electric system, in lieu of taxes, an amount representing the fair share of the cost of government properly to be borne that year by its electric system, not to exceed a maximum amount (including any refunds or other benefits accruing to Municipality's nonelectric operations as a consequence of any State or Federal taxes or charges upon Municipality's electric operations) calculated by applying the prevailing municipal, county and State property tax rates to the depreciated original cost of tangible property used in electric operations within the respective taxing jurisdictions at the beginning of each tax year. Determination of the amount to be taken in lieu of taxes for each year shall be made as early in each year as practicable and shall become final at the end of such year.

(b) It shall be the responsibility of Municipality to provide for such distribution as may be required by law or as it deems appropriate under the provisions of Section 13 of the TVA Act to the State, counties and any other municipal corporations in which it operates of any tax equivalents so collected by Municipality in lieu of State, county and other municipal taxes. If Municipality or Board shall, directly or indirectly, and voluntarily or otherwise, make any payment out of electric system revenues or funds to a county, other municipality, or any other local taxing jurisdiction, in satisfaction of a claim or obligation for taxes or payments in lieu of taxes, or in consideration of or as compensation for franchises or operating rights, or otherwise, or if Municipality or Board shall make any such payment to the State for or in lieu of property taxes, the maximum tax equivalents to which Municipality would otherwise be entitled under subsection (a) shall be reduced by the amount of such payment; provided, however, that no such payment shall operate to reduce the maximum tax equivalent to which Municipality is entitled below an amount computed by applying the property tax rate of Municipality to the depreciated original cost of the tangible property used in electric operations therein. It is understood and agreed, however, that Municipality or Board shall not, in respect of any year, voluntarily make or agree to make any payment of the kind referred to in this subsection if such payment either separately or in conjunction with all other similar payments in respect of that year, voluntary or otherwise, would exceed the amount derived by applying the prevailing county and State tax rates, and tax rates of other municipal corporations, if any, within which Board serves, to the depreciated original cost of the tangible electric properties within the respective taxing jurisdictions.

(c) Municipality agrees that it will not impose any tax or other charge not expressly provided for in this contract upon the property or operations of its electric system, or upon the sale, purchase, use or consumption of electric energy supplied thereby. In the event Municipality should impose such a tax or charge, the tax equivalent which Municipality would otherwise be permitted to take under this section shall be reduced each year by the aggregate amount of the tax or charge so imposed; provided, however, that no such reduction in tax equivalent payments shall in any way prejudice the rights of TVA to enforce, by whatever means available to it, said agreement and any other provision or provisions of this contract which may be violated by the imposition of said tax or charge.

3. *Board's Lines and Equipment.* All lines and substations from the interconnection points (as defined in section 3 of the contract of which these Terms and Conditions are a part), and all electrical equipment, except metering equipment of TVA, located on Board's side of such interconnection points shall be furnished and maintained by Board. Board's electrical facilities shall conform to accepted modern standards. Failure to inspect for or to object to defects in such facilities shall not render TVA liable or responsible for any loss or damage resulting therefrom or from violation of the contract of which these Terms and Conditions are a part, or from accidents which may occur upon Board's or Municipality's premises.

4. *Responsibility for Property of the Other Parties.* All equipment furnished by each party shall be and remain its property. Each party shall exercise proper care to protect any property of the other parties on its premises and shall bear the cost of any necessary repairs or replacements arising from its neglect to exercise such proper care. The authorized employees of each party shall have access at all reasonable times to any of its facilities on the other parties' premises, for such purposes as reading its meters and testing, repairing, or replacing its equipment.

5. *Measurement of Demand, Energy, and Power Factor.* TVA will, at its own expense, install and maintain or cause to be installed and maintained, the necessary metering equipment for measuring the maximum demand and the amount of energy furnished Board at each interconnection point. If, for economy or convenience, such equipment is located elsewhere

than at the interconnection point, the readings shall be adjusted to reflect the quantities delivered at the interconnection point and such adjusted amounts shall be deemed to be the measured amounts for purposes of billing under Wholesale Power Rate—Schedule WP. TVA may also, at its option, provide equipment to determine power factor. Board shall permit the use of its housing facilities, ducts, and supports for TVA's metering equipment.

Board shall have the right at its own expense to install, equip, and maintain check meters in a mutually satisfactory location.

TVA will make periodical tests and inspections of its metering equipment in order to maintain a high standard of accuracy, and will make additional tests or inspections of its metering equipment at the request of Board. Board shall have the right to have representatives present at tests and meter readings. If any test shows that the metering equipment is accurate within two percent no adjustment of past readings will be made and, if the test was requested by Board, the testing charge will be paid by Board; all other tests shall be at TVA's expense. In case any test shows the meter reading to be in error more than two percent, a corresponding adjustment shall be made in Board's bills for any agreed period of error; in the absence of such agreement, the adjustment shall be limited to the current billing period. Should the metering equipment fail, the deliveries will be estimated by TVA from the best information available.

6. *Billing.* Payment for power and energy used in any monthly period shall become due 15 days after TVA's meter reading date or 7 days after the date of bill from TVA, whichever is later. To any amount remaining unpaid 15 days after the due date, there shall be added a charge equal to the sum of (1) $150 and (2) an amount calculated in the following manner: the average of the interest rates payable on TVA's short-term borrowings (having maturities of less than one year) made during the calendar month preceding the month of the date of bill is to be applied on a daily basis to the unpaid portion of the bill for each day of the period from and after the due date to and including the date of payment in full. (In the event that TVA made no short-term borrowings during such preceding calendar month, the amount used in making the calculation shall be the average effective interest rate on 91-day United States Treasury bills (based on the average of the closing bid and asked prices) during such preceding calendar month, plus 1/8 of one percent.) TVA will prepare and send to Board appropriate invoices for such added charge, which shall be due and payable upon receipt. Upon failure of Board to pay for the power and energy used in any monthly period within 60 days after due date, TVA shall have the right, upon reasonable notice, to discontinue the supply of power and energy and refuse to resume delivery so long as any part thereof remains unpaid. Discontinuance of supply under this section will not relieve Board of its liability for the agreed minimum monthly payment during the time the supply of energy is so discontinued.

TVA shall allow Board an early payment credit (to be applied on its subsequent monthly bill) for any month for which Board makes payment to TVA for power and energy use in time for TVA to receive and deposit such payment on or before the due date. The amount of the early payment credit shall be arrived at by applying for each day of the 15-day period following the due date the average of the interest rates used in calculating the amount in (2) above to the amount of such early payment.

All payments shall be made to TVA at its offices at Chattanooga, Tennessee, or at such other place as TVA may from time to time designate. For purposes of billing, the term "month" in Wholesale Power Rate—Schedule WP and the term "monthly period" in this section are defined as the period from the meter reading time in one month to the meter reading time in the next month; provided, however, that with respect to the determination of billing demand said period shall begin and end at midnight prior to said meter reading times. Subject to such changes in TVA's meter reading scheduling as it deems necessary, meters shall be read on the same day of each month.

7. *Adjustment and Change of Wholesale Rate and Resale Rates.* The wholesale rate and resale rates provided in sections 4 and 5 of the contract shall be subject to adjustment and change from time to time in accordance with this section in order to assure TVA's ability to continue to supply the power requirements of Board and TVA's other customers on a financially sound basis with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible, and to assure Board's ability to continue to operate on a financially sound basis.

Wholesale power rates and charges shall be sufficient to produce revenue from TVA's wholesale power customers which, together with revenue from its other power customers, will assure TVA's ability each fiscal year to:

(a) meet the requirements of the TVA Act including particularly section 15d(f) thereof which provides in part that:

The Corporation shall charge rates for power which will produce gross revenues sufficient to provide funds for operation, maintenance, and administration of its power system; payments to States and counties in lieu of taxes; debt service on outstanding bonds, including provision and maintenance of reserve funds and other funds established in connection therewith; payments to the Treasury as a return on the appropriation investment pursuant to subsection (e) hereof; payment to the Treasury of the repayment sums specified in subsection (e) hereof; and such additional margin as the Board may consider desirable for investment in power system assets, retirement of outstanding bonds in advance of maturity, additional reduction of appropriation investment, and other purposes connected with the Corporation's power business, having due regard for the primary objectives of the Act, including the objective that power shall be sold at rates as low as are feasible.

and (b) meet all tests and comply with the provisions of TVA's bond resolutions as from time to time adopted and amended in such a manner as to assure its ability to continue to finance and operate its power program at the lowest feasible cost.

Adjustment. TVA may review with Board or its representative, at least 30 days prior to the first day of any of the months of October, January, April, or July pertinent data concerning the current and anticipated conditions and costs affecting TVA's operations and the adequacy of its revenues from both wholesale and other power customers to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section; provided, however, that at least one such review shall be conducted each fiscal year; and provided further, that no adjustment shall be made as hereinafter provided in this paragraph unless such a review has been conducted within the 120 days preceding the effective date of such adjustment. Following any such review TVA, at least 15 days prior to the first day of whichever of the aforesaid months follows next, will determine what adjustments, if any, are required in the demand and energy charges provided for in the then effective Schedule of Rates and Charges to assure (a) revenues to TVA adequate to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section and (b) revenues to Board adequate to compensate for changes, if any, in the cost of power to Board resulting from adjustments to Wholesale Power Rate—Schedule WP made under the provisions of this section. Such adjustments as TVA determines are required shall be incorporated by TVA in Adjustment Addendums to Wholesale Power Rate—Schedule WP and to the resale schedules of the Schedule of Rates and Charges, which Adjustment Addendums shall be promptly published by TVA by mailing the same to Board by registered mail and shall be applicable to bills rendered from meter readings taken for TVA and Board billing cycles scheduled to begin on or after the effective date of said Adjustment Addendum; provided that any adjustment determined by TVA to be necessary as hereinbefore provided shall not be conditioned upon or be postponed pending the review provided for in the first sentence of this paragraph or the completion of such review. Board shall pay for power and energy in accordance with Wholesale Power Rate—Schedule WP of the Schedule of Rates and Charges as so adjusted from time to time by any such Adjustment Addendums published by TVA as above provided, and shall adjust the charges in the resale schedules of the Schedule of Rates and Charges applicable to its customers in accordance with such Adjustment Addendums and the provisions of such resale schedules.

Change. Whenever any adjustment or adjustments made under the preceding paragraph, or the costs of TVA's service to Board and TVA's other customers, or the costs of Board's service to customers, or any other factors are believed by either party to warrant general or major changes in the Schedule of Rates and Charges, either party or its representative may request that the parties or their representatives meet and endeavor to reach agreement upon such changes. If within 180 days after any request for such changes the representatives of the parties for any reason have not agreed upon such changes, TVA may thereafter, upon not less than 30 days' notice by registered mail in which the basis for each change is set forth, place into effect such changes in the Schedule of Rates and Charges as it determines will enable TVA to carry out the objectives of the TVA Act and meet the requirements and tests and comply with the provisions of its bond resolutions as outlined in the second paragraph of this section and enable Board to continue on a financially sound basis as provided in section 5(c) of the contract and Board shall thereafter pay and charge for power and energy in accordance with the Schedule of Rates and Charges as so changed; provided, however, that unless the parties agree otherwise, any adjustment determined by TVA to be required under the provisions of the preceding paragraph of this section shall become effective without reference to, and shall not be delayed or postponed pending completion of, any actions under this paragraph.

8. *Compensation for Additional Tax or in Lieu of Tax Payments.* It is recognized that among the costs which the rates specified in Wholesale Power Rate—Schedule WP were designed to

cover are annual payments in lieu of taxes by TVA in an aggregate sum equivalent to 5 percent of its gross proceeds from sales of power exclusive of sales to agencies of the Government of the United States. If at any time TVA is compelled by law to pay during any fiscal year of TVA taxes and payments in lieu of taxes in an aggregate amount which shall exceed 5 percent of such proceeds, TVA may, if it so elects, increase the billing amounts during the succeeding fiscal year by the number of percentage points (to the nearest 0.1 point) by which said aggregate amount exceeded 5 percent of said proceeds.

9. *Interference with Availability or Use of Power.* Neither TVA nor Board shall be liable for damages or breach of contract when and to the extent that the availability or use of power, respectively, is interrupted, curtailed, or interfered with or the performance of any other obligation hereunder is prevented by circumstances reasonably beyond the control of the party affected, such as (without limiting the generality of the foregoing) acts of God, strikes, accidents, laws of the United States or any State, regulations or orders of governmental agencies, judicial decrees, inability to obtain or install equipment, lack by TVA of necessary Congressional appropriations or legislative authorizations, or other inability of either party to obtain necessary financing. Acts of God shall be deemed to include the effects of drought if the drought is of such severity as to have a probability of occurrence of less than once in 40 years. Each party shall advise the other at the earliest practicable date of any circumstances which are likely to result in the interruption, curtailment, or interference with the performance of any obligation hereunder.

TVA will furnish electric service hereunder continuously so far as reasonable diligence will permit but TVA may interrupt, curtail, or otherwise interfere with service to Board hereunder in the course of installation, operation, or maintenance of TVA's facilities, or for the purpose of safeguarding life or property, or otherwise, and in such event shall not be liable for damages or breach of contract. TVA, as far as reasonably possible, shall avoid such interruption, curtailment, or interference for routine operating purposes or repairs, and shall give such prior notice of those it deems necessary as may be reasonable under the circumstances.

10. *Additional Load.* The transmission system, transformers, meters, and equipment used for delivery of power to Board have limited capacity and unless otherwise agreed no addition shall be made to Board's load which would result in a total load at any interconnection point in excess of the maximum available from the then existing facilities at said interconnection point.

11. *Voltage and Load Fluctuations Caused by Board.* Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. TVA may require Board at its own expense to install suitable apparatus to reasonably limit such fluctuations or disturbances.

12. *Balancing of Loads.* Board shall take and use power in such manner that the current on the most heavily loaded phase shall not exceed the current on either of the other phases by more than 20 percent. In the event that any check indicates a greater unbalance between phases, Board agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected by Board within 60 days, or such longer period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and to compute the billing demand as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with its current coil in that phase wire and its potential coil connected between that phase wire and the neutral voltage point.

13. *Notice of Trouble.* Board shall notify TVA immediately should the service be unsatisfactory for any reason or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if oral, should be confirmed in writing.

14. *Submetering.* Board shall not sell electricity for submetering or resale.

15. *Conflict.* In case of conflict between any express provision of the body of this contract or any provision of the Schedule of Rates and Charges and these Terms and Conditions, the former shall govern.

16. *Section Headings.* The section headings in this contract are only for convenience of reference and are not a part of the contract among the parties.

SCHEDULE OF RULES AND REGULATIONS (ELECTRIC)

1. *Applications and Contracts for Electric Service.* Application for service at a new location or changes to existing service may be made by telephone, mail or in person. MLGW, at its discretion, may require a written application.

2. *Point of Delivery.* The point of delivery is the point, as designated by MLGW, where current is to be delivered to building or premises. All wiring and equipment beyond this point of delivery shall be provided and maintained by customer at no expense to MLGW.

3. *Customer's Wiring - Standards.* All wiring of customer must conform to MLGW's requirements and all applicable codes and ordinances.

4. *Underground Electric Facilities.* MLGW may at its discretion install its facilities overhead or underground. Specifications and terms will be furnished by MLGW on request.

5. *Right of Access.* All equipment on customer's premises belonging to MLGW shall be readily accessible, as defined by the National Electrical Code, to MLGW's identified employees at all reasonable times for the purpose of reading meters, testing, repairing, installing, removing, and/or exchanging this equipment.

6. *Billing.* Bills will be rendered monthly. All billing shall be in accordance with the applicable rate schedules.

7. *Deposit.* A deposit or guarantee satisfactory to MLGW may be required of any customer before electric service is supplied.

8. *Discontinuance and Reconnection of Service.* MLGW may refuse to connect or may discontinue service for violation by the customer of any of MLGW's rules, regulations, policies, contracts, service agreements, or for theft of energy.

9. *Interruption of Service.* MLGW will use reasonable diligence in supplying current, but shall not be liable for breach of contract in the event of, or for loss, injury, or damage to persons or property resulting from interruptions in service, excessive or inadequate voltage, single-phase, or otherwise unsatisfactory service, whether or not caused by negligence.

10. *Voltage Fluctuations Caused by Customer.* Electric service must be used in such a manner as to not cause unusual fluctuations or disturbances to MLGW's system. MLGW may require customer at his own expense to install suitable apparatus which will reasonably limit such fluctuations.

11. *Additional Load.* The service connection, transformers, meters, and equipment supplied by MLGW for each customer have definite capacity and no addition to the equipment or load connected hereto will be allowed except by consent of MLGW. Failure to give notice of additions or changes in load and to obtain MLGW's consent for same, shall render customer liable for any damage to any of MLGW's lines or equipment caused by the additional or changed installation.

12. *Standby and Resale Service.* All purchased electric service (other than emergency or standby service) used on the premises of customer shall be supplied exclusively by MLGW and customer shall not, directly or indirectly, sell, sublet, assign, or otherwise dispose of the electric service or any part thereof.

13. *Non-Standard Service.* Customer shall pay the cost of any special installation necessary to meet his peculiar requirements for service at other than standard voltages, or for the supply of closer voltage regulation than required by standard practice.

14. *Relocation of and Changes to MLGW's Facilities.* MLGW may, at the request of customer, relocate or change existing MLGW-owned equipment. Customer may be required to reimburse MLGW for such changes at actual cost including appropriate overheads.

15. *Scope.* This Schedule of Rules and Regulations is a part of all contracts for receiving electric service from MLGW and applies to all service received from MLGW, whether the service is based upon contract, agreement, signed application, rate schedule, or otherwise. A copy of this schedule, together with a copy of MLGW's Schedule of Rates and Charges, shall be kept open to inspection at the offices of MLGW.

16. *Revisions.* These Rules and Regulations may be revised, amended, supplemented, or otherwise changed from time to time, without notice. Such changes, when effective, shall have the same force as the present Rules and Regulations.

17. *Conflict.* In case of conflict between any provision of any rate schedule and the Schedule of Rules and Regulations, the rate schedule shall apply.

18. *Home Energy Surveys.* All dwellings receiving electric service from MLGW are eligible for a free energy survey under the Revised Home Insulation Program. As part of the survey information will be furnished on energy improvements and practices expected to provide energy savings at the dwelling. A list of area contractors that install the improvements under the Revised Home Insulation Program will also be furnished.

19. *Revised Home Insulation Program.* MLGW as part of its electric service will arrange to make available funds to eligible electric customers for energy improvements identified as cost effective in the survey under the Revised Home Insulation Program being conducted by MLGW and TVA. Eligible customers must sign repayment agreements under which the funds made available will be repaid to MLGW. Monthly repayment amounts due for this service will be included as part of the electric bills from MLGW. Except as otherwise agreed in the

repayment agreement, the provisions of the section entitled "Billing" of this Schedule of Rules and Regulations shall apply to bills for the amounts made available by MLGW as part of its electric service for weatherization measures.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And MOUNTAIN ELECTRIC COOPERATIVE

THIS CONTRACT, made and entered into as of the 8th day of May, 1985, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and MOUNTAIN ELECTRIC COOPERATIVE (hereinafter called "Cooperative") , a cooperative corporation duly created, organized, and existing under and by virtue of the laws of the State of Tennessee;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Cooperative owns and operates an electric system, and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Cooperative's operation of an electric system and TVA's wholesale service thereto are for the benefit of the consumers of electricity. Toward that end, Cooperative agrees that the electric system shall be operated on a nonprofit basis, that electric system funds and accounts shall not be mingled with other funds or accounts of Cooperative, and that resale rates and charges shall be applied which will provide revenues which can reasonably be expected to be at least equal to, and not substantially greater than, the sum required for the items listed in subsection (a) of section 6 hereof. In accordance with these principles, which are mutually recognized as of the essence of this contract, Cooperative agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Cooperative at the delivery point or points specified in or hereafter established under section 3 hereof and Cooperative shall take and distribute the electric power required for service to Cooperative's customers. Cooperative shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Cooperative and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Cooperative shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Cooperative to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Cooperative would receive the energy for such consumer if it were served by Cooperative. The supply of power by TVA to Cooperative for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Cooperative under said resale rate schedules, and the contract for such resale between Cooperative and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Cooperative and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Cooperative shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Cooperative regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Cooperative would be entitled to serve hereunder, TVA shall notify Cooperative of the time schedule upon which the additional power required for such service could be made available to Cooperative at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Cooperative shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Cooperative, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Cooperative which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Cooperative to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Cooperative.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Cooperative to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point	*Normal Wholesale Delivery Voltage*
69-kV side of the Pandora Substation	69,000
161-kV side of the Cranberry 161-kV Substation	161,000
13-kV side of TVA's Roan Mountain Substation	13,000

It is recognized that load growth and development and the maintenance of high quality service in Cooperative's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Cooperative and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Cooperative is referred to as "Distributor." Subject to the other provisions of this contract, Cooperative shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WP.

5. *Resale Rates.* In distributing electric energy in the area served by Cooperative, the parties agree as follows:

(a) Cooperative agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Cooperative agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RP-L, GP-L, TGP, and LP of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Cooperative shall designate in its standard policy periods of not less than (l) 15 days, for customers served under the RP Schedule, and (2) l0 days, for customers served under the GP and TGP Schedules, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Cooperative for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties shall agree upon, and Cooperative shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Cooperative shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Cooperative agrees to use the gross revenues from electric operations for the following purposes:

(1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, taxes, power at wholesale, and insurance;

(2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due; and

(3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Cooperative will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Cooperative will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Cooperative will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Cooperative will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Cooperative hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Cooperative is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Cooperative at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Cooperative, to the extent of their capacity in excess of the requirements of Cooperative, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Cooperative the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Cooperative by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Cooperative from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Cooperative without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Cooperative offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated March 11, 1965, and numbered TV-25806A, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements between the parties hereto, it being the intention of the parties that each of said agreements shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) Letter Agreement TV-25806A, Supplement No. 2, dated August 29, 1967, as amended by Letter Agreement TV-25806A, Supplement No. 16, dated December 31, 1984, relative to the application by Cooperative of an additional charge to its consumers located in the State of North Carolina in order to facilitate Cooperative's payment of the gross receipts franchise tax in effect in North Carolina;

(b) Lease and Amendatory Agreement TV-25806A, Supplement No. 13, dated August 12, 1983, relative to the lease by Cooperative of certain transmission and substation facilities from TVA;

(c) Agreement TV-25806A, Supplement No. 14, dated August 17, 1983, relative to provision and maintenance of mobile spare transformers by TVA; and

(d) Letter Agreement TV-25806A, Supplement No. 15, dated November 14, 1983, between the parties hereto relative to the application by Cooperative of an alternative seasonal service rate schedule on a temporary basis.

All references in said agreements to the power contract dated March 11, 1965, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of June 30, 1985, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Cooperative should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Cooperative unless Cooperative agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
(s) Helen S. Drummer
Assistant Secretary
OGC (s) SDK

TENNESSEE VALLEY AUTHORITY
By (s) W. F. Willis
General Manager

Attest:
(s) Robert Grindstaff
Secretary

MOUNTAIN ELECTRIC COOPERATIVE
By (s) E. L. Lafferty
President

Approved by TVA
Board of Directors
JUN 18 1985
(s) HSD
Assistant Secretary

SCHEDULE OF TERMS AND CONDITIONS

1. *Financial and Accounting Policy.* Cooperative agrees to be bound by the following statement of financial and accounting policy:

(a) Except as hereinafter provided, Cooperative shall administer, operate, and maintain its electric system as a separate department in all respects, shall establish and maintain a separate fund for the revenues from electric operations, and shall not directly or indirectly mingle electric system funds or accounts, or otherwise consolidate or combine the financing of the electric system, with those of any other of its operations. The restrictions of this subsection include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues, credit or property to other operations of Cooperative, the purchase or payment of, or providing security for, indebtedness or other obligations applicable to such other operations, and payment of greater than standardized or market prices for property or services from other operations of Cooperative. In the interest of efficiency and economy, Cooperative may use property and personnel jointly for the electric system and other operations, subject to agreement between Cooperative and TVA as to appropriate allocations, based on direction of effort, relative use, or similar standards, of any and all joint investments, salaries and other expenses, funds, or use of property or facilities.

(b) Cooperative shall keep the general books of accounts of the electric system according to the Federal Energy Regulatory Commission Uniform System of Accounts. Cooperative shall allow the duly authorized agents of TVA to have free access at all reasonable times to all books and records relating to electric system operations. TVA may provide advisory accounting service, in reasonable amount, to help assure the proper setting up and administering of such accounts.

(c) Cooperative shall supply TVA not later than August 15 of each year with an annual financial report in such form as may be requested, of electric system transactions for the preceding year ending June 30 and of electric system assets and liabilities as of June 30. Cooperative shall furnish promptly to TVA each month such printed operating, statistical, and financial reports relating to electric system operations as may reasonably be requested by TVA. (Where information relating to such statistical reports is maintained on computers Cooperative will also provide such statistical report information by a computer medium, working with TVA in developing a satisfactory format.) In the event of failure by Cooperative to furnish promptly any such reports, TVA, following written notification to Cooperative of intention to do so, may with its own staff perform at Cooperative's expense all work necessary to collect and process the data necessary to provide the information that should have been furnished in the reports.

(d) Cooperative shall have the electric system financial statements examined annually by independent certified public accountants in accordance with generally accepted auditing standards and shall publish the financial statements, along with the auditor's certificate, in a newspaper of general circulation in the area. If no such newspaper exists, Cooperative shall furnish each member copies of said statements and certificate.

2. *Cooperative's Lines and Equipment.* All lines and substations from the point or points of delivery (as defined in section 3 of the contract of which these Terms and Conditions are a part), and all electrical equipment, except metering equipment of TVA, located on Cooperative's side of such point or points of delivery shall be furnished and maintained by Cooperative. Cooperative's electrical facilities shall conform to accepted modern standards. Failure to inspect for or to object to defects in such facilities shall not render TVA liable or responsible for any loss or damage resulting therefrom or from violation of the contract of which these Terms and Conditions are a part, or from accidents which may occur upon Cooperative's premises.

3. *Responsibility for Property of the Other Party.* All equipment furnished by each party shall be and remain its property. Each party shall exercise proper care to protect any property of the other on its premises and shall bear the cost of any necessary repairs or replacements arising from its neglect to exercise such proper care. The authorized employees of each party shall have access at all reasonable times to any of its facilities on the other's premises, for such purposes as reading its meters and testing, repairing, or replacing its equipment.

4. *Measurement of Demand, Energy, and Power Factor.* TVA will, at its own expense, install and maintain or cause to be installed and maintained, the necessary metering equipment for measuring the maximum demand and the amount of energy furnished Cooperative at each point of delivery. If, for economy or convenience, such equipment is located elsewhere than at the point of deliver y, the readings shall be adjusted to reflect the quantities delivered at the point of delivery and such adjusted amounts shall be deemed to be the measured amounts for purposes of billing under Wholesale Power Rate—Schedule WP. TVA may also, at its option, provide equipment to determine power factor. Cooperative shall permit the use of its housing facilities, ducts, and supports for TVA's metering equipment.

Cooperative shall have the right at its own expense to install, equip, and maintain check meters in a mutually satisfactory location.

TVA will make periodical tests and inspections of its metering equipment in order to maintain a high standard of accuracy, and will make additional tests or inspections of its metering equipment at the request of Cooperative. Cooperative shall have the right to have representatives present at tests and meter readings. If any test shows that the metering equipment is accurate within two percent no adjustment of past readings will be made and, if the test was requested by Cooperative, the testing charge will be paid by Cooperative; all other tests shall be at TVA's expense. In case any test shows the meter reading to be in error more than two percent, a corresponding adjustment shall be made in Cooperative's bills for any agreed period of error; in the absence of such agreement, the adjustment shall be limited to the current billing period. Should the metering equipment fail, the deliveries will be estimated by TVA from the best information available.

5. *Billing.* Payment for power and energy used in any monthly period shall become due 15 days after TVA's meter reading date or 7 days after the date of bill from TVA, whichever is later. To any amount remaining unpaid 15 days after the due date, there shall be added a charge equal to the sum of (1) $150 and (2) an amount calculated in the following manner: the average of the interest rates payable on TVA's short-term borrowings (having maturities of less than one year) made during the calendar month preceding the month of the date of bill is to be applied on a daily basis to the unpaid portion of the bill for each day of the period from and after the due date to and including the date of payment in full. (In the event that TVA made no short-term borrowings during such preceding calendar month, the amount used in making the calculation shall be the average effective interest rate on 91-day United States Treasury bills (based on the average of the closing bid and asked prices) during such preceding calendar month, plus 1/8 of one percent.) TVA will prepare and send to Cooperative appropriate invoices for such added charge, which shall be due and payable upon receipt. Upon failure of Cooperative to pay for the power and energy used in any monthly period within 60 days after due date, TVA shall have the right, upon reasonable notice, to discontinue the supply of power and energy and refuse to resume delivery so long as any part thereof remains unpaid. Discontinuance of supply under this section will not relieve Cooperative of its liability for the agreed minimum monthly payment during the time the supply of energy is so discontinued.

TVA shall allow Cooperative an early payment credit (to be applied on its subsequent monthly bill) for any month for which Cooperative makes payment to TVA for power and energy use in time for TVA to receive and deposit such payment on or before the due date. The amount

of the early payment credit shall be arrived at by applying for each day of the 15-day period following the due date the average of the interest rates used in calculating the amount in (2) above to the amount of such early payment.

All payments shall be made to TVA at its offices at Chattanooga, Tennessee, or at such other place as TVA may from time to time designate. For purposes of billing, the term "month" in Wholesale Power Rate—Schedule WP and the term "monthly period" in this section are defined as the period from the meter reading time in one month to the meter reading time in the next month; provided, however, that with respect to the determination of billing demand said period shall begin and end at midnight prior to said meter reading times. Subject to such changes in TVA's meter reading scheduling as it deems necessary, meters shall be read on the same day of each month.

6. *Adjustment and Change of Wholesale Rate and Resale Rates.* The wholesale rate and resale rates provided in sections 4 and 5 of the contract shall be subject to adjustment and change from time to time in accordance with this section in order to assure TVA's ability to continue to supply the power requirements of Cooperative and TVA's other customers on a financially sound basis with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible, and to assure Cooperative's ability to continue to operate on a financially sound basis.

Wholesale power rates and charges shall be sufficient to produce revenue from TVA's wholesale power customers which, together with revenue from its other power customers, will assure TVA's ability each fiscal year to:

(a) meet the requirements of the TVA Act including particularly section 15d(f) thereof which provides in part that:

> The Corporation shall charge rates for power which will produce gross revenues sufficient to provide funds for operation, maintenance, and administration of its power system; payments to States and counties in lieu of taxes; debt service on outstanding bonds, including provision and maintenance of reserve funds and other funds established in connection therewith; payments to the Treasury as a return on the appropriation investment pursuant to subsection (e) hereof; payment to the Treasury of the repayment sums specified in subsection (e) hereof; and such additional margin as the Board may consider desirable for investment in power system assets, retirement of outstanding bonds in advance of maturity, additional reduction of appropriation investment, and other purposes connected with the Corporation's power business, having due regard for the primary objectives of the Act, including the objective that power shall be sold at rates as low as are feasible.

and (b) meet all tests and comply with the provisions of TVA's bond resolutions as from time to time adopted and amended in such a manner as to assure its ability to continue to finance and operate its power program at the lowest feasible cost.

Adjustment. TVA may review with Cooperative or its representative, at least 30 days prior to the first day of any of the months of October, January, April, or July pertinent data concerning the current and anticipated conditions and costs affecting TVA's operations and the adequacy of its revenues from both wholesale and other power customers to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section; provided, however, that at least one such review shall be conducted each fiscal year; and provided further, that no adjustment shall be made as hereinafter provided in this paragraph unless such a review has been conducted within the 120 days preceding the effective date of such adjustment. Following any such review TVA, at least 15 days prior to the first day of whichever of the aforesaid months follows next, will determine what adjustments, if any, are required in the demand and energy charges provided for in the then effective Schedule of Rates and Charges to assure (a) revenues to TVA adequate to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section and (b) revenues to Cooperative adequate to compensate for changes, if any, in the cost of power to Cooperative resulting from adjustments to Wholesale Power Rate—Schedule WP made under the provisions of this section. Such adjustments as TVA determines are required shall be incorporated by TVA in Adjustment Addendums to Wholesale Power Rate—Schedule WP and to the resale schedules of the Schedule of Rates and Charges, which Adjustment Addendums shall be promptly published by TVA by mailing the same to Cooperative by registered mail and shall be applicable to bills rendered from meter readings taken for TVA and Cooperative billing cycles scheduled to begin on or after the effective date of said Adjustment Addendum; provided that any adjustment determined by TVA to be necessary as hereinbefore provided shall not be conditioned upon or be postponed pending the review provided for in the first sentence of this paragraph or the completion of such review. Cooperative shall pay for power and energy in accordance with

Wholesale Power Rate—Schedule WP of the Schedule of Rates and Charges as so adjusted from time to time by any such Adjustment Addendums published by TVA as above provided, and shall adjust the charges in the resale schedules of the Schedule of Rates and Charges applicable to its customers in accordance with such Adjustment Addendums and the provisions of such resale schedules.

Change. Whenever any adjustment or adjustments made under the preceding paragraph, or the costs of TVA's service to Cooperative and TVA's other customers, or the costs of Cooperative's service to customers, or any other factors are believed by either party to warrant general or major changes in the Schedule of Rates and Charges, either party or its representative may request that the parties or their representatives meet and endeavor to reach agreement upon such changes. If within 180 days after any request for such changes the representatives of the parties for any reason have not agreed upon such changes, TVA may thereafter, upon not less than 30 days' notice by registered mail in which the basis for each change is set forth, place into effect such changes in the Schedule of Rates and Charges as it determines will enable TVA to carry out the objectives of the TVA Act and meet the requirements and tests and comply with the provisions of its bond resolutions as outlined in the second paragraph of this section and enable Cooperative to continue on a financially sound basis as provided in section 5(c) of the contract and Cooperative shall thereafter pay and charge for power and energy in accordance with the Schedule of Rates and Charges as so changed; provided, however, that unless the parties agree otherwise, any adjustment determined by TVA to be required under the provisions of the preceding paragraph of this section shall become effective without reference to, and shall not be delayed or postponed pending completion of, any actions under this paragraph.

7. *Compensation for Additional Tax or in Lieu of Tax Payments.* It is recognized that among the costs which the rates specified in Wholesale Power Rate—Schedule WP were designed to cover are annual payments in lieu of taxes by TVA in an aggregate sum equivalent to 5 percent of its gross proceeds from sales of power exclusive of sales to agencies of the Government of the United States. If at any time TVA is compelled by law to pay during any fiscal year of TVA taxes and payments in lieu of taxes in an aggregate amount which shall exceed 5 percent of such proceeds, TVA may, if it so elects, increase the billing amounts during the succeeding fiscal year by the number of percentage points (to the nearest 0.1 point) by which said aggregate amount exceeded 5 percent of said proceeds.

8. *Interference with Availability or Use of Power.* Neither TVA nor Cooperative shall be liable for damages or breach of contract when and to the extent that the availability or use of power, respectively, is interrupted, curtailed, or interfered with or the performance of any other obligation hereunder is prevented by circumstances reasonably beyond the control of the party affected, such as (without limiting the generality of the foregoing) acts of God, strikes, accidents, laws of the United States or any State, regulations or orders of governmental agencies, judicial decrees, inability to obtain or install equipment, lack by TVA of necessary Congressional appropriations or legislative authorizations or other inability of either party to obtain necessary financing. Acts of God shall be deemed to include the effects of drought if the drought is of such severity as to have a probability of occurrence of less than once in 40 years. Each party shall advise the other at the earliest practicable date of any circumstances which are likely to result in the interruption, curtailment, or interference with the performance of any obligation hereunder.

TVA will furnish electric service hereunder continuously so far as reasonable diligence will permit but TVA may interrupt, curtail, or otherwise interfere with service to Cooperative hereunder in the course of installation, operation, or maintenance of TVA's facilities, or for the purpose of safeguarding life or property, or otherwise, and in such event shall not be liable for damages or breach of contract. TVA, as far as reasonably possible, shall avoid such interruption, curtailment, or interference for routine operating purposes or repairs, and shall give such prior notice of those it deems necessary as may be reasonable under the circumstances.

9. *Additional Load.* The transmission system, transformers, meters and equipment used for delivery of power to Cooperative have limited capacity and unless otherwise agreed no addition shall be made to Cooperative's load which would result in a total load at any delivery point in excess of the maximum available from the then existing facilities at said delivery point.

10. *Voltage and Load Fluctuations Caused by Cooperative.* Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. TVA may require Cooperative at its own expense to install suitable apparatus to reasonably limit such fluctuations or disturbances.

11. *Balancing of Loads.* Cooperative shall take and use power in such manner that the current on the most heavily loaded phase shall not exceed the current on either of the other phases by more than 20 percent. In the event that any check indicates a greater unbalance between

phases, Cooperative agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected by Cooperative within 60 days, or such longer period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and to compute the billing demand as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with its current coil in that phase wire and its potential coil connected between that phase wire and the neutral voltage point.

12. *Notice of Trouble.* Cooperative shall notify TVA immediately should the service be unsatisfactory for any reason or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if oral, should be confirmed in writing.

13. *Submetering.* Cooperative shall not sell electricity for submetering or resale.

14. *Conflict.* In case of conflict between any express provision of the body of this contract or any provision of the Schedule of Rates and Charges and these Terms and Conditions, the former shall govern.

15. *Section Headings.* The section headings in this contract are only for convenience of reference and are not a part of the contract between the parties.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And AMOCO CHEMICALS COMPANY

THIS CONTRACT, made and entered into as of July 19, 1985, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation organized and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and AMOCO CHEMICALS COMPANY (hereinafter called "Company"), a corporation organized and existing under the laws of the State of Delaware;

WITNESSETH:

WHEREAS, the parties have heretofore entered into Power Contract TV-39818A, dated January 24, 1974, as amended (hereinafter called the "1974 Contract"), under which firm power is made available by TVA to Company for the operation of Company's chemical plant near Decatur, Alabama; and

WHEREAS, the 1974 Contract is scheduled to expire at the meter-reading time on July 20, 1985; and

WHEREAS, the parties desire to replace the 1974 Contract with a new contract under which specified amounts of firm power and limited interruptible power (in accordance with TVA's standard arrangements for making limited interruptible power available) will be made available to Company;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of the meter-reading time on July 20, 1985, and shall continue in effect through the meter-reading time for the month of J 'y 1995, unless sooner terminated as hereinafter provided. At any time, upon 5 years' written notice, either party may terminate the provisions hereunder covering availability of the total amount of limited interruptible power or may terminate this contract.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 0800 CST or CDT, whichever is currently effective, on the twentieth day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to Company.

2. *Availability of Firm and Limited Interruptible Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder 42,500 kW of firm power and 42,500 kW of limited interruptible power during the term of this contract. Said amounts of firm and limited interruptible power shall be the "firm contract demand" and the "limited interruptible contract demand," respectively, hereunder.

Except as provided below with respect to limited interruptible power and as provided in section 4 of the attached Terms and Conditions with respect to interference with the availability of power, power in the amounts of the contract demands shall be made available continuously by TVA.

TVA shall have the right to reduce the power made available under this section to the firm contract demand at any time and from time to time; provided that (1) each period of reduction in the availability of limited interruptible power shall be a continuous period of not more than 90 days, (2) no such reduction shall be made within 275 days following the end of the immediately preceding reduction in the availability of limited interruptible power, and (3) if TVA deems that there is adequate generating capacity available on the TVA system to meet all loads, TVA will exercise such right of reduction only if revised projections of operating costs for the then current fiscal year cause TVA to conclude, in its sole judgment, that the average incremental operating costs for the TVA system for that fiscal year will exceed the average cost estimates which were made by TVA prior to the beginning of that fiscal year for purposes of establishing charges for limited interruptible power. TVA shall give Company not less than four days' prior notice of reduction in the availability of limited interruptible power. Such notice shall specify the time and date for beginning said reduction and TVA's estimate of the time and date for ending said reduction. However, if the estimated length of the reduction is less than 90 days, TVA shall have the right to continue the period of reduction by furnishing Company notice thereof at least 10 days prior to the estimated end of the reduction period furnished Company in the notice provided for under the preceding sentence; provided, however, that the reduction period as so continued will not exceed 90 days; and provided further, that TVA will continue such reduction beyond the initial estimate only once in a reduction period.

Any notice provided for in the preceding paragraph may be given orally but shall be confirmed in writing. The length of any notice period and the length of any reduction period provided for in the preceding paragraph may be revised at any time by agreement of the parties.

If TVA discontinues or modifies materially its conservation contract demand reduction policy existing on the effective date of this contract, TVA shall provide Company with written notification of such discontinuance or modification and shall, for a three-year period after the date of said notification, apply such existing policy to conservation measures completed by Company within said three-year period, provided that Company shall, within forty-five days after the date of such written notification, give TVA written notice that Company, prior to the date of written notification by TVA, had as a minimum developed plans sufficient for and had obtained Company approval for capital expenditures for such conservation measures.

3. *Availability of Replacement Power.* During periods of reduction in the availability of limited interruptible power (including any continuation of such a reduction) as provided for in section 2 hereof, TVA will make available replacement power in an amount up to the limited interruptible contract demand for all or part of the reduction period (including any continuation of such a reduction period) as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with a mutually satisfactory scheduled amount being agreed upon at least 24 hours prior to the requested time of initial availability of such replacement power. When Company furnishes to TVA a proposed schedule for taking a specific amount of replacement power, TVA will determine the price for such power based upon TVA's estimated out-of-pocket cost of supplying such replacement power plus 20 percent. This price will be quoted to Company at least 72 hours prior to the requested time of initial availability of replacement power; provided that Company furnishes the proposed schedule to TVA in time for TVA to have 24 hours (not including any hours on Saturdays, Sundays, or days observed by TVA as holidays) in which to make the necessary determinations. If Company elects to schedule such replacement power, it will be paid for by Company at such quoted price. It is understood that any price quoted by TVA is only applicable for the specific proposed schedule for which it is quoted, and TVA shall have no obligation to make available at the quoted price replacement power for any period of time or in any amount differing from that set out in such proposed schedule.

Any schedule of replacement power may be revised at any time by agreement of the parties; provided, however, that when replacement power is requested by Company under a revised schedule, TVA shall quote Company a price therefor based upon TVA's then estimated out-of-pocket cost for supplying such replacement power (under the revised schedule) plus 20 percent, and any such replacement power scheduled will be paid for at that revised price.

Any replacement power schedule agreed to by the parties, or any notice about replacement power, if oral, shall be confirmed in writing.

4. *Availability of Supplemental Power.* TVA will make available supplemental power in such amounts and at such times as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to ensure that TVA will be able to meet its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy. Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

5. *Conditions of Delivery.* The power available hereunder shall be delivered at a nominal voltage of 161,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions. The point of delivery for power and energy made available hereunder shall be the point of interconnection of TVA's 161-kV facilities and Company's 161-kV facilities at Company's stepdown substation.

Company hereby agrees to operate its facilities in such a manner that at no time shall there be a load electrically connected from phase to ground, unless otherwise agreed by TVA.

6. *Determination of Billing Amounts.* A month shall be the billing period, except that any month within which there is a change in the availability of limited interruptible power under section 2 hereof or a change in the availability of or price of replacement power or supplemental power under sections 3 and 4, respectively, hereof will be divided for billing purposes. Each such billing period in that month shall be comprised of the intervals in which the same amounts of each type of power are available at the same price, whether or not they are consecutive intervals. It is recognized that where appropriate, as provided for in section 4 of the Terms and Conditions, a month will be divided for billing purposes as described therein and, except as may be provided otherwise in this section 6 with respect to such periods, billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm, limited interruptible (or replacement), and supplemental power available hereunder (during periods when firm, limited interruptible (or replacement), and supplemental power are available), or (b) the aggregate amount of firm and limited interruptible (or replacement) power available hereunder (during periods when only firm and limited interruptible (or replacement) power are available), or (c) the aggregate amount of firm and supplemental power available hereunder (during periods when only firm and supplemental power are available), or (d) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make replacement power available under section 3 hereof, the billing demand for replacement power shall be the replacement power scheduled in accordance with said section 3, and such replacement power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the period scheduled for purposes of determining the amounts of replacement energy deemed to have been taken by Company hereunder.

For any billing period in which TVA has agreed to make supplemental power available under section 4 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 4, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

The total demand for each billing period less the sum of any excess demand, any billing demand for replacement power, and any billing demand for supplemental power shall be the "total normal demand." The total metered energy for each month, less (1) the sum of any replacement energy and supplemental energy deemed to have been taken by Company hereunder (excluding any replacement energy and supplemental energy deemed to have been taken during a separate billing period as provided for in section 4 of the Terms and Conditions) and (2) the total energy used during any such separate billing period, shall be the "total normal energy."

Of the total normal demand taken in any billing period, the demand for firm power shall be deemed to be the first power taken, up to and including the amount of firm power available, and the demand for limited interruptible power shall be deemed to be the total normal demand less the demand for firm power. The highest demand for firm power and the highest demand for limited interruptible power as so determined in a month shall be the respective billing demands for those types of power for the month, except that the billing demand for either for any separate billing period in which the availability of any type of power was interrupted or curtailed pursuant to section 4 of the Terms and Conditions shall be the highest demand for such power as so determined for that separate billing period; provided, however, that the billing demand for firm power shall in no case be less than the amount calculated under the exception language set out in the *Determination of Demand* section of Schedule GP-I (as modified, changed, replaced, or adjusted by TVA from time to time); and provided further, that in making calculations under said exception language, the words "the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months" appearing therein shall be replaced by "the sum of (a) the firm contract demand and (b) the highest excess demand established during the preceding 12 months."

Of the total normal energy used in the month, the firm energy shall be deemed to be the lesser of the total normal energy or the product obtained by multiplying the firm contract demand times the total hours during the month in which firm power is available (excluding any hours included in a separate billing period as provided for in section 4 of the Terms and

Conditions) times a load factor of 0.8446. The limited interruptible energy shall be deemed to be the total normal energy less the firm energy.

Notwithstanding any provisions of the preceding paragraphs, for any separate billing period as provided for in the third paragraph of section 4 of the Terms and Conditions, the following shall apply (provided that Company notifies TVA within 24 hours following Company's initial inability to operate the facilities for which power is available under this contract):

(1) no supplemental power shall be deemed to have been scheduled during such separate billing period, (2) the billing demand for replacement power for such separate billing period (if any was scheduled) shall be deemed to be the amount, if any, by which the total demand for said separate billing period exceeds the contract demand for firm power, and (3) the replacement energy deemed to have been taken during such separate billing period shall be the product obtained by multiplying the billing demand for replacement power as determined in accordance with the provisions of this paragraph times the number of hours in such separate billing period times a load factor of 0.92.

The total energy used in any separate billing period as provided for in section 4 of the Terms and Conditions shall be decreased by the sum of any replacement energy and supplemental energy deemed to have been taken during said separate billing period, and the firm energy shall be deemed to be the lesser of the total energy used during said separate billing period (as so decreased) or the product obtained by multiplying the firm contract demand times the total hours during said separate billing period in which firm power is available times a load factor of 0.8446. The limited interruptible energy shall be deemed to be the total energy used during said separate billing period (as so decreased) less the firm energy.

7. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, demand charges for limited interruptible power, charges for replacement power, charges for supplemental power, demand charges for any excess takings, charges for firm energy used, charges for limited interruptible energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GP-I, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule is attached hereto and made a part hereof; provided that

(a) the base charges applicable to the demand for limited interruptible power and the limited interruptible energy used shall be those set out in Exhibit A, which is attached hereto and made a part hereof, as said charges may be increased or decreased as provided in said Exhibit A; and provided further, that demand charges for limited interruptible power shall be prorated for periods during which the availability of limited interruptible power has been reduced by TVA in accord with section 2 hereof;

(b) in calculating the minimum bill as provided for in the second paragraph of the section of said rate schedule headed "*Minimum Bill,*" the base demand charge, as adjusted, referred to in item 2, shall be applied to the firm contract demand plus the highest excess demand established during the preceding 12 months; and provided further, that the minimum bill may be modified pursuant to section 4 of the Terms and Conditions;

(c) the sections of said rate schedule headed "*Seasonal Service*" and "*Contract Requirement,*" and the last sentence thereof relating to rules and regulations shall be of no force and effect;

(d) for purposes of applying the charges set out in the section headed "*Base Charges*" of said rate schedule, the words "billing demand" shall be deemed to refer to the sum of the billing demand for excess power and the billing demand for firm power; and provided further, it is understood that the additional amount which, under said section, is to be applied as part of the demand charge to each kW "by which customer's billing demand exceeds its contract demand" shall, for purposes of this contract, be an additional amount applied to each kW of Company's billing demand for excess power; and

(e) the term "Distributor" in said rate schedule shall be deemed to refer to TVA, and the words "contract demand" in said rate schedule, except as otherwise provided above, shall be deemed to be the total of the firm and limited interruptible power available.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract, the Exhibit, or the Terms and Conditions, the body of this contract, the Exhibit, or the Terms and Conditions, as the case may be, shall control.

8. *Rental Facilities.* As consideration for TVA's providing, operating, and maintaining at Company's request and for Company's benefit two overhead ground wires on separate wood poles for additional lightning protection for the 161-kV transmission line from TVA's Finley 161-kV Switching Station to Company's stepdown substation, with said line having a 37-foot vertical clearance over elevation 595 between survey stations 8+00 and 20+00 (hereinafter

called the "Transmission Facilities"), Company shall pay TVA a monthly rental charge based upon TVA's $6,600 estimated additional cost of providing the Transmission Facilities. Said rental charge shall be 1.25 percent per month of the estimated additional cost, presently $82.50 per month. Said rental charge shall be in addition to all other charges hereunder and shall continue until the expiration or termination of this contract or of any renewal or replacement thereof. Payment for any period of less than one month shall be prorated.

As consideration for TVA's providing, operating, and maintaining at Company's request and for Company's benefit two motorized 161-kV air break switches in the Finley Switching Station and the necessary associated relays and other control equipment (hereinafter called the "Switch Facilities"), Company shall pay TVA a monthly rental charge based upon TVA's $14,200 estimated additional cost of providing the Switch Facilities. Said rental charge shall be 1.25 percent per month of the estimated additional cost, presently $177.50 per month. Said rental charge shall be in addition to all other charges hereunder and shall continue until the expiration or termination of this contract or of any renewal or replacement thereof or until any earlier date when TVA shall install for its own purposes additional 161-kV terminal circuit breakers at the Finley Switching Station which make the Switch Facilities no longer necessary. Payment for any period of less than one month shall be prorated.

The rental rates of 1.25 percent specified in this section 8 may be changed by TVA from time to time to reflect changes in TVA's average system costs of making available, maintaining, and replacing facilities of the type provided for in this section. TVA will give Company one year's prior notice of any such change.

Upon the expiration or termination of this contract or of any renewal or replacement thereof or upon the installation of additional TVA terminal circuit breakers in the Finley Switching Station which make the Switch Facilities no longer necessary, TVA will modify the Switch Facilities or replace them with air break switches suitable for TVA's needs or, in the event Company permanently discontinues its operation at Decatur, TVA will remove the Switch Facilities. Company shall pay TVA, promptly upon receipt of a statement therefor, the cost, including applicable overheads, of making any such modification, replacement, or removal; provided, however, that Company need not pay TVA the cost of making such modification or replacement of the Switch Facilities if, in TVA's judgment, the modification or replacement is a result of a power supply arrangement between TVA and a third party. All portions of the Switch Facilities retired in the course of such modification, replacement, or removal for which TVA has no use shall be purchased by Company at the net book value thereof and TVA shall deliver them to Company at Company's plant promptly after payment therefor.

Upon the expiration or termination of this contract or of any renewal or replacement thereof, TVA will remove the Transmission Facilities and Company shall pay to TVA promptly upon receipt of a statement therefor, the cost, including applicable overheads, of removing the Transmission Facilities and the undepreciated portion of the cost of installing the Transmission Facilities (the latter cost shall be deemed to be the actual total installed cost, including applicable overheads, less the original material cost of reusable materials and equipment).

The parties hereby recognize that TVA's obligations with respect to the provision, operation, and maintenance of the Transmission Facilities and Switch Facilities described above are undertaken upon solicitation by Company for use in connection with 161-kV service to Company's plant and for Company's benefit. Accordingly, Company releases the United States of America, TVA, their agents and employees from and shall indemnify and save harmless the United States of America, TVA, their agents and employees from any and all claims, demands, or causes of action for personal injuries, property damage, or loss of life or property sustained by Company, its agents and employees, or sustained by third parties arising out of or in any way connected with the use, occupancy, maintenance, operation, defect, failure, revision, repair, replacement or removal of the Transmission Facilities or Switch Facilities, even though the personal injuries, property damage, or loss of life or property is caused, occasioned, or contributed to by the negligence, sole or concurrent, of the United States of America, TVA, their agents or employees.

Company hereby grants to TVA such rights of ingress and egress in, over, and across Company's property as may be necessary during the term of this contract to permit TVA to maintain, operate, alter, and repair the transmission line and other facilities required to supply Company power hereunder. All such access rights shall be at locations mutually satisfactory to TVA and Company. If at any time during the term of this contract, or of any renewal, replacement, or extension thereof, Company requests TVA to remove, relocate, or modify its facilities located on Company's property, TVA shall perform such removal, relocation, or modification, and Company shall reimburse TVA for the actual costs, including applicable overheads, incurred by TVA in removing, relocating, or modifying said facilities, including costs of obtaining any new easements and rights of way for the relocated facilities. In the event

of any removal or relocation provided for above, TVA shall cause to be abandoned any rights of way over and across Company's property from which TVA's facilities are removed. Such abandonment shall be made after completion of the removal of said facilities.

Notwithstanding anything herein which might be construed to the contrary, TVA's Finley Switching Station and related facilities referred to in this section, except the transmission line serving Company, may be used in serving loads other than Company's load in any manner which TVA deems necessary or desirable. TVA will inform Company if it makes plans to serve any substantial additional load from the Finley Switching Station.

The obligations of the respective parties under this section shall survive any such expiration or termination of this contract, notwithstanding anything to the contrary appearing in this contract.

9. *Electrical Fluctuations.* The power and energy taken hereunder shall not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. Company shall provide, at its expense, suitable apparatus which will reasonably limit such fluctuations. In the event that unreasonable fluctuations or disturbances, including without limitation harmonic currents resulting in actionable interference with communication systems or in harmonic resonance of now existing facilities, are caused by Company's facilities, TVA shall immediately notify Company of the circumstances and TVA shall then have the right to discontinue the delivery of power and energy under this contract until the condition causing such fluctuations or disturbances is corrected by Company. TVA shall give Company written notice of these circumstances in addition to the above-mentioned notice, but the requirement of providing such written notice shall not limit or delay TVA's right to discontinue service to Company. Despite such discontinuance of service, Company shall be obligated to pay TVA the amounts due for power and energy under this contract, including the minimum bills for such power, and for applicable rental charges.

10. *Billing Adjustment Following Interruption or Curtailment of Power to Company.* It is recognized by the parties that following interruptions or curtailments in availability of power, as Company resumes production, its demand will be temporarily higher than it would otherwise be for a 48-hour period during which its turboexpander again becomes fully operational. Accordingly, in the event that there is an interruption or curtailment in the availability of power from TVA to Company as described in the first sentence of the second paragraph of section 4 of the Terms and Conditions, for purposes of determining Company's total demand as referred to in section 6 above, the metered amounts of power established during each 30-consecutive-minute period during the 48-hour period following the restoration of availability of power shall be reduced by 4,500 kW and 1,736 kVAR; provided, however, that no such reduction in the metered amounts of power shall be made if the metered amounts of power without such reductions show that Company established an excess demand during said 48-hour period.

11. *Notices.* Any notice or demand required by this contract shall be deemed properly given, if mailed, postage prepaid, to the Manager of Power and Engineering, Tennessee Valley Authority, 500A Chestnut Street Tower II, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Plant Manager, Amoco Chemicals Company, Post Office Box 2215, Decatur, Alabama 35602, on behalf of Company, except that oral notices between the authorized operating representatives of the parties (other than notice of termination pursuant to paragraph 1 of section 1 hereof, which must be in writing) will be sufficient if confirmed in writing. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

12. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

13. *Previous Contracts.* The following agreements between the parties are hereby ratified and confirmed as the continuing obligations of the parties, and shall remain in full force and effect:

Letter Agreement TV-26373A, dated September 29, 1965;
Letter Agreement TV-44681A, dated August 19, 1976;
Letter Agreement TV-55982A, dated December 2, 1980;

provided, however, that the reference to the 1974 Contract in the penultimate sentence in section 2 of said Letter Agreement TV-55982A shall be deemed to refer to this contract or any extension, renewal, or replacement thereof.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

TENNESSEE VALLEY AUTHORITY
By /s/Robert C. Steffy, Jr.
Manager of Power and Engineering
(Supply and Use)

Attest:
/s/H. J. Janssens
Title: Plant Manager

AMOCO CHEMICALS COMPANY
By /s/R. C. Jagel
Title: Vice President
Manufacturing and Engineering

EXHIBIT A

CHARGES APPLICABLE TO LIMITED INTERRUPTIBLE POWER

Base Charges

Demand Charge: $2.38 per kilowatt of limited interruptible billing demand per month*

Energy Charge: 2.39 cents per kilowatthour of limited interruptible energy used per month*

*The base charges applicable to limited interruptible power and energy may be increased or decreased each year by TVA to reflect changing costs of making limited interruptible power available and the projected value to TVA during the following fiscal year of having the right to reduce the availability of limited interruptible power. TVA will notify customer in writing no later than September 2 of each year of any such increase or decrease in the above base charges. Any such revised base charges shall be applicable for any bills rendered from meter readings taken on or after October 2 of that year and shall continue until any subsequent increase or decrease.

TERMS AND CONDITIONS

1. *Conditions of Delivery.* The power delivered under the contract shall be 3-phase alternating current at a frequency of approximately 60 hertz and at the nominal voltage specified in the contract. Except for temporary periods of abnormal operating conditions, voltage variations shall not exceed 7 percent up or down from a normal voltage to be determined from operating experience.

Company shall exercise all reasonable precautions and install all equipment necessary to limit its total demand as determined in accordance with the contract or rate schedule attached thereto to the amount to which it is entitled under the contract. If the total demand for any interval exceeds the amount to which Company is so entitled, Company shall not be entitled to continue such excess takings thereafter whether or not it is obligated to pay therefor.

Maintenance by TVA at the point of delivery of voltage within the above-stated limits and the frequency contracted for will constitute availability of power for purposes of the contract.

TVA shall not be obligated to install protective equipment, but may install such equipment as TVA deems necessary for the protection of its own property and operations. The electrical equipment installed by Company shall be capable of satisfactory coordination with TVA's protective equipment.

In the event Company's use of power causes fluctuations or disturbances on TVA's system, TVA may require Company, at Company's expense, to install suitable apparatus to keep such fluctuations or disturbances within reasonable limits.

2. *Billing.* For purposes of determining billing amounts, the term "month" in the body of this contract, and in the attachments thereto, if any, shall mean the period from the meter-reading time in one calendar month to the meter-reading time in the next calendar month.

TVA will bill Company for all charges applicable under the contract for the preceding month as soon thereafter as practicable. Payment of such bill by Company shall become due 10 days after the date of bill. To any amount remaining unpaid 10 days after the due date, there shall be added a charge equal to the sum of (1) $150 and (2) an amount calculated in the following manner: the average of the interest rates payable on TVA's short-term borrowings (having maturities of less than one year) made during the calendar month preceding the month of the date of bill is to be applied on a daily basis to the unpaid portion of the bill for each day of

the period from and after the due date to and including the date of payment in full. (In the event that TVA made no short-term borrowings during such preceding calendar month, the amount used in making the calculation shall be the average effective interest rate on 91-day United States Treasury bills (based on the average of the closing bid and asked prices) during such preceding calendar month, plus 1/8 of one percent.) TVA will prepare and send to Company appropriate invoices for such added charge, which shall be due and payable upon receipt. All payments shall be made to TVA at its Chattanooga Accounting Branch office at Chattanooga, Tennessee 37401, or at such other place as TVA may from time to time designate by notice to Company.

Upon failure of Company to pay all charges applicable under the contract within 30 days after date of any bill, TVA shall have the right, upon reasonable notice, to discontinue the supply of power, and may refuse to resume delivery so long as any such past due account remains unpaid. Discontinuance of supply under this section shall not relieve Company of its liability for minimum monthly charges.

TVA shall allow Company an early payment credit (to be applied on its subsequent monthly bill) for any month for which Company makes payment to TVA for charges applicable under the contract in time for TVA to receive and deposit such payment on or before the due date. The amount of the early payment credit shall be arrived at by applying for each day of the 10-day period following the due date the average of the interest rates used in calculating the amount in (2) above to the amount of such early payment.

In the event Company voluntarily or involuntarily fails to pay in full any monthly bill by the expiration of 60 days from the date of bill, TVA shall have the right to consider the contract breached and to cancel the same upon written notice that if payment in full is not received within 10 days (or such longer period as may be specified) after the date of said notice, the contract shall be deemed permanently breached and canceled; and such cancellation by TVA shall be without waiver of any amounts which may be due or of any rights, including the right to damages for such breach, which may have accrued up to and including the date of such cancellation.

3. *Metering.* TVA shall install and maintain the meters and associated equipment which in TVA's judgment are needed to determine the amounts of power and energy used by Company. If Company provides its own stepdown substation, and if in TVA's judgment there are special conditions which must be met in Company's substation or switchgear with respect to metering equipment, Company shall at its expense provide, install, and maintain, in accordance with plans and specifications approved by TVA, that part of the associated equipment necessary in TVA's judgment for the installation and operation of TVA's meters under the circumstances. If the metering equipment is not located at the point of delivery defined in the contract, all amounts so metered shall be appropriately adjusted to reflect delivery at the point of delivery. The amounts so metered by TVA, and so adjusted if appropriate, shall be the amounts used as the basis for billing, except as otherwise provided. Company shall have the right to install and maintain at its expense meters adjacent to TVA's meters, as a check on TVA's meters. Should TVA's meters fail to register for any period, the consumption during such period shall be determined from the Company's meters or from the best information available.

TVA shall, at its expense, make periodic tests and inspections of its metering equipment in order to maintain a high standard of accuracy. If requested by Company, TVA shall make additional tests and inspections of its metering equipment; if such additional tests show that the measurements are accurate within 1 percent fast or slow at the average load during the preceding 30 days, the cost of making such additional tests or inspections shall be paid by Company. TVA shall give Company reasonable notice of tests, so that Company may have a representative present if it wishes.

If any tests or inspections show TVA's measurements to be inaccurate by more than 1 percent, an offsetting adjustment shall be made in Company's bills for any known or agreed period of inaccuracy; in the absence of such knowledge or agreement, the adjustment shall be limited to 30 days prior to the date of such tests. Any TVA metering equipment found to be inaccurate by more than 1 percent shall be promptly replaced, repaired, or readjusted by TVA.

4. *Interference with Availability or Use of Power.* The term "force majeure" shall be deemed to be a cause reasonably beyond the control of the party affected, such as, but without limitation to, injunction, strike of the party's employees, war, invasion, fire, accident, floods, backwater caused by floods, acts of God, or inability to obtain or ship essential services, materials, or equipment because of the effect of similar causes on the party's suppliers or carriers. Acts of God shall include the effects of drought if the drought is of such severity as to have a probability of occurrence not more often than an average of once in 40 years.

It is recognized by the parties that the availability of power to Company may be interrupted or curtailed from time to time during the term of this contract because of force majeure or otherwise. Company shall be solely responsible for providing and maintaining such equipment in its plant and such emergency operating procedures as may be required to safeguard persons on its property, its property, and its operations from the effects of such interruptions or curtailments. Company assumes all risk of loss, injury or damage to Company resulting from such interruptions or curtailments. If any such interruption or curtailment lasts longer than 30 consecutive minutes, TVA shall cancel or proportionately reduce, as the case may be, the charges for service for the period of such interruption or curtailment.

If Company's ability to operate the facilities for which power is available under the contract is interrupted or curtailed for a period longer than 24 hours because of force majeure suffered by Company, (1) all of the intervals of 24 hours' or longer duration within any month when Company is, because of such force majeure, unable to use more than 75 percent of the power available, shall be combined, except for intervals covered by (2) below, into a separate billing period to which the pro rata portion of the normal monthly charge, including minimum bill, shall apply and (2) all of the intervals of 24 hours' or longer duration within any month when Company is, because of such force majeure, unable to use more than 5 percent of the power available shall be combined into another separate billing period for which the minimum bill shall be half the pro rata portion of the normal monthly minimum bill; provided, however, that Company may designate, by oral notice to TVA within 72 hours after its load increases above 75 percent of the power available, a shorter billing period in lieu of the separate billing period provided for in (1) above. Any such oral notice shall be confirmed in writing.

Each party shall notify the other party promptly of the development of any cause of interruption or curtailment, and shall remedy the effect of any such cause as promptly as practicable.

5. *Resale of Power.* The electric power supplied under the contract is for the use of Company or any wholly owned subsidiary of Company or its parent company in the operation of its facilities at the location or locations specified in the contract and shall not be resold or otherwise disposed of, directly or indirectly, for any other purpose.

6. *Phase Balancing.* Company shall endeavor to take and use power and energy in such manner that the current will be reasonably balanced on the three phases. In the event that any check indicates that the current on the most heavily loaded phase exceeds the current on either of the other phases by more than 20 percent, Company agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected within 60 days, or such other period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and compute the total demand for billing purposes as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with the current coil in that phase wire and to the potential coil connected between that phase wire and the neutral voltage point.

7. *Waivers.* A waiver of one or more defaults shall not be considered a waiver of any other or subsequent default.

8. *Successors and Assigns.* The contract may be assigned by TVA, but shall not be assignable by Company without written consent of TVA except to a wholly owned subsidiary of Company or Company's successor by any bona fide merger, reorganization, or consolidation.

In the event of any such assignment the parties hereto shall remain liable for the faithful performance of the contract in all respects by their respective assigns, and such assigns by acceptance of such transfer or assignment shall likewise become bound for the full performance of the contract until the expiration thereof.

9. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of the contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Company offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of the contract.

10. *Counterparts.* The contract may be executed in any number of counterparts, and all such counterparts, executed and delivered each as an original, shall constitute but one and the same instrument.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And E. I. Du PONT de NEMOURS & COMPANY

THIS CONTRACT, made and entered into as of May 24, 1985, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation organized and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and E. I. Du PONT de NEMOURS & COMPANY (hereinafter called "Company"), a corporation organized and existing under the laws of the State of Delaware,

WITNESSETH:

WHEREAS, the parties have heretofore entered into Power Contract TV-48251A, dated December 21, 1977 (hereinafter called the "1977 Contract"), under which firm power is made available by TVA to Company for the operation of Company's titanium dioxide plant near New Johnsonville, Tennessee; and

WHEREAS, Company wishes also to use limited interruptible power in the operation of said plant; and

WHEREAS, the parties desire to replace the 1977 Contract with a new contract under which specified amounts of firm power and limited interruptible power (in accordance with TVA's standard arrangements for making limited interruptible power available) will be made available to Company;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.*This contract shall become effective as of the meter-reading time on June 1, 1985, and shall continue in effect through the meter-reading time for the month of May 1995, unless sooner terminated as hereinafter provided. At any time, upon five years' written notice, either party may terminate the provisions hereunder covering availability of the total amount of limited interruptible power or may terminate this contract.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 1100 CST or CDT, whichever is currently effective, on the first day of the following calendar month; provided, however, that TVA may change the meter-reading time upon notice to Company.

2. *Availability of Firm and Limited Interruptible Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder firm and limited interruptible power in the respective amounts specified for the periods indicated in the tabulation set forth below. Each such period shall begin and end as of the meter-reading time on the dates indicated. Said amounts of firm and limited interruptible power shall be the "firm contract demand" and the "limited interruptible contract demand," respectively, hereunder for the respective periods.

Period	*Amount of Power Available*	
	Firm	*Limited Interruptible*
June 1, 1985 through January 1, 1988 (hereinafter called "Period 1")	18,000 kW	14,000 kW
January 1, 1988 to the end of the term hereof (hereinafter called "Period 2")	18,000 kW	14,000 kW

Except as provided below with respect to limited interruptible power and as provided in section 4 of the attached Terms and Conditions with respect to interference with the availability of power, power in the amounts of the contract demands shall be made available continuously by TVA.

TVA shall have the right to reduce the power made available under this section to the firm contract demand at any time and from time to time; provided that (1) each period of reduction in the availability of limited interruptible power shall be a continuous period of not more than 15 days, (2) no such reduction shall be made within 30 days following the end of the immediately preceding reduction in the availability of limited interruptible power, (3) the aggregate of all reductions during any 12-consecutive-month period shall not exceed 45 days, and (4) if TVA deems that there is adequate generating capacity available on the TVA system to meet all loads, TVA will exercise such right of reduction only if revised projections of operating costs for the then current fiscal year cause TVA to conclude, in its sole judgment, that the average

incremental operating costs for the TVA system for that fiscal year will exceed the average cost estimates which were made by TVA prior to the beginning of that fiscal year for purposes of establishing charges for limited interruptible power. TVA shall give Company not less than 24 hours' prior notice of reduction in the availability of limited interruptible power. Such notice shall specify the time and date for beginning said reduction and TVA's estimate of the time and date for ending said reduction. However, if the estimated length of the reduction is less than 15 days, TVA shall have the right to continue the period of reduction by furnishing Company notice thereof at least 3 days prior to the estimated end of the reduction period furnished Company in the notice provided for under the preceding sentence; provided, however, that the reduction period as so continued will not exceed 15 days; and provided further, that TVA will continue such reduction beyond the initial estimate only once in a reduction period.

Any notice provided for in the preceding paragraph may be given orally but shall be confirmed in writing. The length of any notice period and the length of any reduction period provided for in the preceding paragraph may be revised at any time by agreement of the parties.

3. *Availability of Replacement Power.*During periods of reduction in the availability of limited interruptible power (including any continuation of such a reduction) as provided for in section 2 hereof, TVA will make available replacement power in an amount up to the limited interruptible contract demand for all or part of the reduction period (including any continuation of such a reduction period) as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with a mutually satisfactory scheduled amount being agreed upon at least 12 hours prior to the requested time of initial availability of such replacement power. When Company furnishes to TVA a proposed schedule for taking a specific amount of replacement power, TVA will determine the price for such power based upon TVA's estimated out-of-pocket cost of supplying such replacement power plus 20 percent. This price will be quoted to Company at least 16 hours prior to the requested time of initial availability of replacement power; provided that Company furnishes the proposed schedule to TVA in time for TVA to have 4 hours in which to make the necessary determinations. If Company elects to schedule such replacement power, it will be paid for by Company at such quoted price. It is understood that any price quoted by TVA is only applicable for the specific proposed schedule for which it is quoted, and TVA shall have no obligation to make available at the quoted price replacement power for any period of time or in any amount differing from that set out in such proposed schedule.

Any schedule of replacement power may be revised at any time by agreement of the parties; provided, however, that when replacement power is requested by Company under a revised schedule, TVA shall quote Company a price therefor based upon TVA's then estimated out-of-pocket cost for supplying such replacement power (under the revised schedule) plus 20 percent, and any such replacement power scheduled will be paid for at that revised price.

Any replacement power schedule agreed to by the parties, or any notice about replacement power, if oral, shall be confirmed in writing.

4. *Availability of Supplemental Power.*TVA will make available supplemental power in such amounts and at such times as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability being agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to ensure that TVA will be able to meet its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy. Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

5. *Conditions of Delivery.*The point of delivery for power and energy made available hereunder shall be the point at which Company's lines connect to the 13-kV side of TVA's DuPont 69-kV Substation. The power available hereunder shall be delivered at a nominal voltage of 13,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions.

. Notwithstanding anything herein which might be construed to the contrary, TVA's transmission and substation facilities with the exception of the rental facilities referred to in section 8 hereof may be used in serving loads other than Company's load in any manner which TVA deems necessary or desirable.

6. *Determination of Billing Amounts.* A month shall be the billing period, except that any month within which there is a change in the availability of limited interruptible power under section 2 hereof or a change in the availability of or price of replacement power or supplemental power under sections 3 or 4, respectively, hereof will be divided for billing purposes. Each such billing period in that month shall be comprised of the intervals in which the same amounts of each type of power are available at the same price, whether or not they are consecutive intervals. It is recognized that where appropriate, as provided for in section 4 of the Terms and Conditions, a month will be divided for billing purposes as described therein and, except as may be provided otherwise in this section 6 with respect to such periods, billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm, limited interruptible (or replacement), and supplemental power available hereunder (during periods when firm, limited interruptible (or replacement), and supplemental power are available), or (b) the aggregate amount of firm and limited interruptible (or replacement) power available hereunder (during periods when only firm and limited interruptible (or replacement) power are available), or (c) the aggregate amount of firm and supplemental power available hereunder (during periods when only firm and supplemental power are available), or (d) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make replacement power available under section 3 hereof, the billing demand for replacement power shall be the replacement power scheduled in accordance with said section 3, and such replacement power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the period scheduled for purposes of determining the amounts of replacement energy deemed to have been taken by Company hereunder.

For any billing period in which TVA has agreed to make supplemental power available under section 4 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 4, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

The total demand for each billing period less the sum of any excess demand, any billing demand for replacement power, and any billing demand for supplemental power shall be the "total normal demand." The total metered energy for each month, less (1) the sum of any replacement energy and supplemental energy deemed to have been taken by Company hereunder (excluding any replacement energy and supplemental energy deemed to have been taken during a separate billing period as provided for in section 4 of the Terms and Conditions) and (2) the total energy used during any such separate billing period, shall be the "total normal energy."

Of the total normal demand taken in any billing period, the demand for firm power shall be deemed to be the first power taken, up to and including the amount of firm power available, and the demand for limited interruptible power shall be deemed to be the total normal demand less the demand for firm power. The highest demand for firm power and the highest demand for limited interruptible power as so determined in a month shall be the respective billing demands for those types of power for the month, except that the billing demand for either for any separate billing period in which the availability of any type of power was interrupted or curtailed pursuant to section 4 of the Terms and Conditions shall be the highest demand for such power as so determined for that separate billing period; provided, however, that during Period 2 only, the billing demand for firm power shall in no case be less than the amount calculated under the exception language set out in the *Determination of Demand* section of Schedule GP-I (as modified, changed, replaced, or adjusted by TVA from time to time); and provided further, that in making calculations under said exception language, the words "the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months" appearing therein shall be replaced by "the sum of (a) the firm contract demand and (b) the highest excess demand established during the preceding 12 months."

Of the total normal energy used in the month, the firm energy shall be deemed to be the lesser of the total normal energy or the product obtained by multiplying the firm contract demand times the total hours during the month in which firm power is available (excluding any hours included in a separate billing period as provided for in section 4 of the Terms and Conditions) times a load factor of 0.895. The limited interruptible energy shall be deemed to be the total normal energy less the firm energy.

Notwithstanding any provisions of the preceding paragraphs, for any separate billing period as provided for in the third paragraph of section 4 of the Terms and Conditions, the following shall apply (provided that Company notifies TVA within 24 hours following Company's initial inability to operate the facilities for which power is available under this contract):

(1) no supplemental power shall be deemed to have been scheduled during such separate billing period, (2) the billing demand for replacement power for such separate billing period (if any was scheduled) shall be deemed to be the amount, if any, by which the total demand for said separate billing period exceeds the contract demand for firm power, and (3) the replacement energy deemed to have been taken during such separate billing period shall be the product obtained by multiplying the billing demand for replacement power as determined in accordance with the provisions of this paragraph times the number of hours in such separate billing period times a load factor of 0.92.

The total energy used in any separate billing period as provided for in section 4 of the Terms and Conditions shall be decreased by the sum of any replacement energy and supplemental energy deemed to have been taken during said separate billing period, and the firm energy shall be deemed to be the lesser of the total energy used during said separate billing period (as so decreased) or the product obtained by multiplying the firm contract demand times the total hours during said separate billing period in which firm power is available times a load factor of 0.895. The limited interruptible energy shall be deemed to be the total energy used during said separate billing period (as so decreased) less the firm energy.

7. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, demand charges for limited interruptible power, charges for replacement power, charges for supplemental power, demand charges for any excess takings, charges for firm energy used, charges for limited interruptible energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GP-I, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule is attached hereto and made a part hereof; provided that

(a) the base charges applicable to the demand for limited interruptible power and the limited interruptible energy used shall be those set out in Exhibit A, which is attached hereto and made a part hereof, as said charges may be increased or decreased as provided in said Exhibit A; and provided further, that demand charges for limited interruptible power shall be prorated for periods during which the availability of limited interruptible power has been reduced by TVA in accord with section 2 hereof;

(b) during Period 1, Company shall pay each month, in addition to the charges specified above, the amount, if any, by which (1) the product obtained by multiplying the demand charge applicable under part B of the attached rate schedule (as modified, changed, replaced, or adjusted by TVA from time to time) times (i) 40 percent of the first 5,000 kW, (ii) 70 percent of the next 45,000 kW, and (iii) 90 percent of all kW in excess of 50,000 kW of the sum of (a) the firm contract demand, (b) the limited interruptible contract demand, and (c) the highest excess demand, whether under this contract or the 1977 Contract, established during the preceding 12 months exceeds (2) the sum of (a) the demand charges for firm power, (b) the demand charges for limited interruptible power, and (c) the charges for limited interruptible energy. It is recognized that the calculation provided for in (b)(1) above is designed to reflect the exception language in the section headed "*Determination of Demand*" of the attached rate schedule. If at any time during Period 1 said exception language is altered or affected by modifications of, changes to, replacements of, or adjustments to said rate schedule, the provisions of (b)(1) above shall be revised by TVA to achieve consistency with said rate schedule as modified, changed, replaced, or adjusted. (Notwithstanding any other provisions of this subsection (b), (i) in the event of the occurrence of circumstances as described in section 4 of the Terms and Conditions, the amount provided for herein shall be prorated in a manner consistent with that described in said section 4, and (ii) for purposes of calculating the amount provided for herein, for any month during which the availability of limited interruptible power has been reduced by TVA in accordance with section 2 hereof, the limited interruptible contract demand shall be decreased on

a pro rata basis to reflect the portion of the month during which such reduction of availability was in effect);

(c) in calculating the minimum bill as provided for in the second paragraph of the section of said rate schedule headed "*Minimum Bill,*" the base demand charge, as adjusted, referred to in item 2, shall be applied (i) during Period 1 to the sum of (a) the firm contract demand, (b) the limited interruptible contract demand, and (c) the highest excess demand, whether under this contract or the 1977 Contract, established during the preceding 12 months and (ii) during Period 2, only to the firm contract demand plus the highest excess demand established during the preceding 12 months; and provided further, that the minimum bill may be modified pursuant to section 4 of the Terms and Conditions. (During Period 1 only, amounts paid for demand and energy charges for limited interruptible power and for charges for replacement power shall be applied toward the satisfaction of the minimum bill obligation. If the minimum bill obligation is prorated for a separate billing period pursuant to section 4 of the Terms and Conditions, only amounts covering the limited interruptible and replacement power taken during such separate billing period shall be so applied toward the minimum bill obligation for such separate billing period);

(d) the sections of said rate schedule headed "*Seasonal Service*" and "*Contract Requirement,*" and the last sentence thereof relating to rules and regulations shall be of no force and effect, and during Period 1 only, the exception language set out in the section of said rate schedule headed "*Determination of Demand*" shall be of no force and effect;

(e) for purposes of applying the charges set out in the section headed "*Base Charges*" of said rate schedule, the words "billing demand" shall be deemed to refer to the sum of the billing demand for excess power and the billing demand for firm power; and provided further, it is understood that the additional amount which, under said section, is to be applied as part of the demand charge to each kW "by which customer's billing demand exceeds its contract demand" shall, for purposes of this contract, be an additional amount applied to each kW of Company's billing demand for excess power;

(f) the term "Distributor" in said rate schedule shall be deemed to refer to TVA, and the words "contract demand" in said rate schedule, except as otherwise provided above, shall be deemed to be the total of the firm and limited interruptible power available; and

(g) for purposes of applying the facilities rental charges provided for in the section of said rate schedule headed "*Facilities Rental Charge Applicable Under B Above,*" the words "highest billing demand" in said section shall be deemed to refer to the highest sum of the total normal demand and excess demand from any billing period, all as determined in accord with section 6 hereof.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract, the Exhibit, or the Terms and Conditions, the body of this contract, the Exhibit, or the Terms and Conditions, as the case may be, shall control.

8. *Facilities Rental.* It is recognized that TVA has installed oil circuit breakers numbered 224, 244, 254, and 264 and related facilities on the low-tension side of TVA's DuPont 69-kV Substation which are for Company's exclusive use and benefit in connection with its circuits. As consideration for TVA's providing, operating, and maintaining said circuit breakers and related facilities (herein called the "Rental Facilities"), Company shall pay TVA in addition to all other charges provided for in this contract, including the facilities rental charge specified in Rate Schedule GP-I, a rental charge equal to 1.25 percent per month of the sum of the total installed cost, including applicable overheads, of breakers numbered 224, 244, 254, and 264 and their related facilities, which cost is presently $86,518.28. Said rental charge is presently $1,081.48 per month. Payment for any period of less than one month shall be prorated.

The parties hereby recognize that TVA's obligations with respect to the provision, installation, operation, and maintenance of the Rental Facilities are undertaken upon solicitation by Company for use in connection with Company's circuits and for Company's benefit. Accordingly, Company releases the United States of America, TVA, their agents and employees from and shall indemnify and save harmless the United States of America, TVA, their agents and employees from any and all claims, demands, or causes of action for personal injuries, property damage, or loss of life or property sustained by Company, its agents and employees, or third parties arising out of or in any way connected with the use, occupancy, maintenance, operation, defect, failure, revision, repair, replacement, or removal of the Rental Facilities even though the personal injuries, property damage, or loss of life or property is caused, occasioned, or contributed to by the negligence, sole or concurrent, of the United States of America, TVA, their agents or employees.

The parties hereby further recognize that, in the future, circumstances may require changes in the interrupting capacity of the Rental Facilities or other changes therein, including additions and replacements. When in TVA's opinion changes in the Rental Facilities become necessary, such changes will be made by TVA, and Company shall, beginning on the date the Rental Facilities, as changed, are ready for service, pay to TVA a monthly rental of 1.25 percent of the total installed cost, including applicable overheads, of the Rental Facilities as changed (any such changes to be made by TVA shall be discussed with Company). In addition, Company shall pay to TVA, promptly upon receipt of a statement therefor, the cost, including applicable overheads, of removing any replaced Rental Facilities and the undepreciated portion of the cost of installing such replaced Rental Facilities (the latter cost shall be deemed to be the total installed cost less the original material cost of reusable materials and equipment); provided, however, that Company shall not be obligated to pay such costs of removal and installation if such changes in the Rental Facilities are caused by equipment failure or original inadequacy. Title to material and equipment determined to be nonreusable shall pass to Company without further action by the parties.

The monthly rental rate of 1.25 percent specified in this section may be changed by TVA upon at least one year's prior written notice to Company to reflect changes in TVA's average system cost of making available, maintaining, and replacing facilities of the type provided for in this section. Upon expiration of this contract or of any extension, renewal, or replacement thereof, whichever is later, Company shall pay to TVA, promptly upon receipt of a statement therefor, the cost, including applicable overheads, of removing the Rental Facilities and the undepreciated portion of the cost of installing the then existing Rental Facilities (the latter cost shall be deemed to be the total installed cost less the original material cost of reusable materials and equipment). Title to material and equipment determined to be nonreusable shall pass to Company without further action of the parties. The obligations of the respective parties under this paragraph shall survive any such expiration or termination of this contract, notwithstanding anything to the contrary appearing in this contract.

9. *Electrical Fluctuations.* The power and energy taken hereunder shall not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. Company shall provide at its expense suitable apparatus which will reasonably limit such fluctuations. In the event that unreasonable fluctuations or disturbances, including without limitation harmonic currents resulting in actionable interference with communication systems or in harmonic resonance of now existing facilities, are caused by Company's facilities, TVA shall immediately notify Company's officer designated in section 10 hereof of the circumstances, and TVA shall then have the right to discontinue the delivery of power and energy under this contract until the condition causing such fluctuations or disturbances is corrected by Company. TVA shall give Company written notice of these circumstances in addition to the above-mentioned notice, but the requirement of providing such written notice shall not limit or delay TVA's right to discontinue service to Company. Despite such discontinuance of service, Company shall be obligated to pay the amounts due for power and energy under this contract, including the minimum bills for such power.

10. *Notices.* Any notice or demand required by this contract shall be deemed properly given, if mailed, postage prepaid, to the Manager of Power and Engineering, Tennessee Valley Authority, 500A Chestnut Street Tower II, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Plant Manager, E. I. Du Pont de Nemours & Company, P.O. Box 219, New Johnsonville, Tennessee 37134, on behalf of Company, except that oral notices between the authorized operating representatives of the parties (other than notice of termination pursuant to paragraph 1 of section 1 hereof, which must be in writing) will be sufficient if confirmed in writing. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

11. *Incorporation of Terms and Conditions.*The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

12. *Previous Contract.*Effective as of the meter-reading time on June 1, 1985, the 1977 Contract is hereby terminated.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

TENNESSEE VALLEY AUTHORITY
By /s/H. G. Parris
Manager of Power and Engineering

Attest: (Seal)
/s/D. J. Hellmann
Title: Assistant Secretary

E. I. Du PONT de NEMOURS & COMPANY
By /s/E. F. Ruppe
Title: Vice President: Materials and Logistics

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And INTERNATIONAL MINERALS & CHEMICAL CORPORATION

THIS CONTRACT, made and entered into as of September 25, 1985, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation organized and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and INTERNATIONAL MINERALS & CHEMICAL CORPORATION (hereinafter called "Company"), a corporation organized and existing under the laws of the State of New York;

WITNESSETH:

WHEREAS, the parties have heretofore entered into Power Contract TV-48552A, dated April 13, 1978, as amended (hereinafter called the "1978 Contract"), under which firm power is made available by TVA to Company for the operation of Company's ferroalloys plant near Kimball, Tennessee; and

WHEREAS, Company wishes also to use limited interruptible power in the operation of said plant; and

WHEREAS, the parties desire to replace the 1978 Contract with a new contract under which specified amounts of firm power and limited interruptible power (in accordance with TVA's standard arrangements for making limited interruptible power available) will be made available to Company;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of the meter-reading time on September 26, 1985, and shall continue in effect through the meter-reading time for the month of September 1995, unless sooner terminated as hereinafter provided. At any time, upon 5 years' written notice, either party may terminate the provisions hereunder covering availability of the total amount of limited interruptible power or may terminate this contract.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 0000 CST or CDT, whichever is currently effective, on the twenty-sixth day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to Company.

2. *Availability of Firm and Limited Interruptible Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder firm and limited interruptible power in the respective amounts specified for the periods indicated in the tabulation set forth below. Each such period shall begin and end as of the meter-reading time on the dates indicated. Said amounts of firm and limited interruptible power shall be the "firm contract demand" and the "limited interruptible contract demand," respectively, hereunder for the respective periods.

Period	*Amount of Power Available*	
	Firm	*Limited Interruptible*
September 26, 1985 through April 26, 1988 (hereinafter called "Period 1")	12,500 kW	12,500 kW
April 26, 1988 to the end of the term hereof (hereinafter called "Period 2")	12,500 kW	12,500 kW

Except as provided below with respect to limited interruptible power and as provided in section 4 of the attached Terms and Conditions with respect to interference with the availability of power, power in the amounts of the contract demands shall be made available continuously by TVA. TVA shall have the right to reduce the power made available under this section to the firm contract demand at any time and from time to time; provided that (1) each period of reduction in the availability of limited interruptible power shall be a continuous period of not more than 90 days, (2) no such reduction shall be made within 275 days following the end of the immediately preceding reduction in the availability of limited interruptible power, and (3) if TVA deems that there is adequate generating capacity available on the TVA system to meet all loads, TVA will exercise such right of reduction only if revised projections of operating costs for the then current fiscal year cause TVA to conclude, in its sole judgment, that the average incremental operating costs for the TVA system for that fiscal year will exceed the average cost estimates which were made by TVA prior to the beginning of that fiscal year

for purposes of establishing charges for limited interruptible power. TVA shall give Company not less than four days' prior notice of reduction in the availability of limited interruptible power. Such notice shall specify the time and date for beginning said reduction and TVA's estimate of the time and date for ending said reduction. However, if the estimated length of the reduction is less than 90 days, TVA shall have the right to continue the period of reduction by furnishing Company notice thereof at least 10 days prior to the estimated end of the reduction period furnished Company in the notice provided for under the preceding sentence; provided, however, that the reduction period as so continued will not exceed 90 days; and provided further, that TVA will continue such reduction beyond the initial estimate only once in a reduction period.

Any notice provided for in the preceding paragraph may be given orally but shall be confirmed in writing. The length of any notice period and the length of any reduction period provided for in the preceding paragraph may be revised at any time by agreement of the parties.

3. *Availability of Replacement Power.* During periods of reduction in the availability of limited interruptible power (including any continuation of such a reduction) as provided for in section 2 hereof, TVA will make available replacement power in an amount up to the limited interruptible contract demand for all or part of the reduction period (including any continuation of such a reduction period) as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with a mutually satisfactory scheduled amount being agreed upon at least 24 hours prior to the requested time of initial availability of such replacement power. When Company furnishes to TVA a proposed schedule for taking a specific amount of replacement power, TVA will determine the price for such power based upon TVA's estimated out-of-pocket cost of supplying such replacement power plus 20 percent. This price will be quoted to Company at least 72 hours prior to the requested time of initial availability of replacement power; provided that Company furnishes the proposed schedule to TVA in time for TVA to have 24 hours (not including any hours on Saturdays, Sundays, or days observed by TVA as holidays) in which to make the necessary determinations. If Company elects to schedule such replacement power, it will be paid for by Company at such quoted price. It is understood that any price quoted by TVA is only applicable for the specific proposed schedule for which it is quoted, and TVA shall have no obligation to make available at the quoted price replacement power for any period of time or in any amount differing from that set out in such proposed schedule.

Any schedule of replacement power may be revised at any time by agreement of the parties; provided, however, that when replacement power is requested by Company under a revised schedule, TVA shall quote Company a price therefor based upon TVA's then estimated out-of-pocket cost for supplying such replacement power (under the revised schedule) plus 20 percent, and any such replacement power scheduled will be paid for at that revised price.

Any replacement power schedule agreed to by the parties, or any notice about replacement power, if oral, shall be confirmed in writing.

4. *Availability of Supplemental Power.* TVA will make available supplemental power in such amounts and at such times as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to ensure that TVA will be able to meet its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy. Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

5. *Conditions of Delivery.* The power available hereunder shall be delivered at a nominal voltage of 161,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions. The point of delivery for power and energy made available hereunder shall be the point of connection at the load side of TVA's 161-kV switching equipment described below to Company's 161-kV facilities.

Switching facilities consisting of 161-kV oil circuit breaker numbered 914 and associated 161-kV isolating and bypass switches numbered 913, 915, and 911 and related facilities, all of which are the property of TVA, have been installed in Company's Kimball stepdown substation in accordance with previous contractual arrangements between Company and TVA. In addition, TVA has provided a 3.57-mile, 161-kV transmission tapline extending from TVA's Nickajack-Jasper 161-kV Transmission Line to Company's substation over which power is supplied to Company. TVA at its expense will continue to operate, maintain, modify, repair, and make replacements in said oil circuit breaker installation and associated facilities, and in said transmission tapline.

Company hereby grants to TVA such easements and rights of way and rights of ingress and egress in, over, and across Company's stepdown substation and other plant property as are reasonably necessary or desirable to permit TVA to operate, maintain, modify, repair, and make replacements in its breaker installation, transmission tapline, and other facilities required to supply Company with power and energy hereunder.

Notwithstanding anything herein which might be construed to the contrary, said transmission tapline provided by TVA may be used in serving loads other than Company's load in any manner which TVA deems necessary or desirable.

6. *Determination of Billing Amounts.*A month shall be the billing period, except that any month within which there is a change in the availability of limited interruptible power under section 2 hereof or a change in the availability of or price of replacement power or supplemental power under sections 3 and 4, respectively, hereof will be divided for billing purposes. Each such billing period in that month shall be comprised of the intervals in which the same amounts of each type of power are available at the same price, whether or not they are consecutive intervals. It is recognized that where appropriate, as provided for in section 4 of the Terms and Conditions, a month will be divided for billing purposes as described therein and, except as may be provided otherwise in this section 6 with respect to such periods, billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm, limited interruptible (or replacement), and supplemental power available hereunder (during periods when firm, limited interruptible (or replacement), and supplemental power are available), or (b) the aggregate amount of firm and limited interruptible (or replacement) power available hereunder (during periods when only firm and limited interruptible (or replacement) power are available), or (c) the aggregate amount of firm and supplemental power available hereunder (during periods when only firm and supplemental power are available), or (d) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make replacement power available under section 3 hereof, the billing demand for replacement power shall be the replacement power scheduled in accordance with said section 3, and such replacement power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the period scheduled for purposes of determining the amounts of replacement energy deemed to have been taken by Company hereunder.

For any billing period in which TVA has agreed to make supplemental power available under section 4 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 4, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

The total demand for each billing period less the sum of any excess demand, any billing demand for replacement power, and any billing demand for supplemental power shall be the "total normal demand." The total metered energy for each month, less (1) the sum of any replacement energy and supplemental energy deemed to have been taken by Company hereunder (excluding any replacement energy and supplemental energy deemed to have been taken during a separate billing period as provided for in section 4 of the Terms and Conditions) and (2) the total energy used during any such separate billing period, shall be the "total normal energy."

Of the total normal demand taken in any billing period, the demand for firm power shall be deemed to be the first power taken, up to and including the amount of firm power available, and the demand for limited interruptible power shall be deemed to be the total normal demand

less the demand for firm power. The highest demand for firm power and the highest demand for limited interruptible power as so determined in a month shall be the respective billing demands for those types of power for the month, except that the billing demand for either for any separate billing period in which the availability of any type of power was interrupted or curtailed pursuant to section 4 of the Terms and Conditions shall be the highest demand for such power as so determined for that separate billing period; provided, however, that during Period 2 only, the billing demand for firm power shall in no case be less than the amount calculated under the exception language set out in the *Determination of Demand* section of Schedule GP-I (as modified, changed, replaced, or adjusted by TVA from time to time); and provided further, that in making calculations under said exception language, the words "the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months" appearing therein shall be replaced by "the sum of (a) the firm contract demand and (b) the highest excess demand established during the preceding 12 months."

Of the total normal energy used in the month, the firm energy shall be deemed to be the lesser of the total normal energy or the product obtained by multiplying the firm contract demand times the total hours during the month in which firm power is available (excluding any hours included in a separate billing period as provided for in section 4 of the Terms and Conditions) times a load factor of 0.8992. The limited interruptible energy shall be deemed to be the total normal energy less the firm energy.

Notwithstanding any provisions of the preceding paragraphs, for any separate billing period as provided for in the third paragraph of section 4 of the Terms and Conditions, the following shall apply (provided that Company notifies TVA within 24 hours following Company's initial inability to operate the facilities for which power is available under this contract):

(1) no supplemental power shall be deemed to have been scheduled during such separate billing period, (2) the billing demand for replacement power for such separate billing period (if any was scheduled) shall be deemed to be the amount, if any, by which the total demand for said separate billing period exceeds the contract demand for firm power, and (3) the replacement energy deemed to have been taken during such separate billing period shall be the product obtained by multiplying the billing demand for replacement power as determined in accordance with the provisions of this paragraph times the number of hours in such separate billing period times a load factor of 0.92.

The total energy used in any separate billing period as provided for in section 4 of the Terms and Conditions shall be decreased by the sum of any replacement energy and supplemental energy deemed to have been taken during said separate billing period, and the firm energy shall be deemed to be the lesser of the total energy used during said separate billing period (as so decreased) or the product obtained by multiplying the firm contract demand times the total hours during said separate billing period in which firm power is available times a load factor of 0.8992. The limited interruptible energy shall be deemed to be the total energy used during said separate billing period (as so decreased) less the firm energy.

7. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, demand charges for limited interruptible power, charges for replacement power, charges for supplemental power, demand charges for any excess takings, charges for firm energy used, charges for limited interruptible energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GP-I, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule is attached hereto and made a part hereof; provided that

(a) the base charges applicable to the demand for limited interruptible power and the limited interruptible energy used shall be those set out in Exhibit A, which is attached hereto and made a part hereof, as said charges may be increased or decreased as provided in said Exhibit A; and provided further, that demand charges for limited interruptible power shall be prorated for periods during which the availability of limited interruptible power has been reduced by TVA in accord with section 2 hereof;

(b) during Period 1, Company shall pay each month, in addition to the charges specified above, the amount, if any, by which (1) the product obtained by multiplying the demand charge applicable under part B of the attached rate schedule (as modified, changed, replaced, or adjusted by TVA from time to time) times (i) 40 percent of the first 5,000 kW, (ii) 70 percent of the next 45,000 kW, and (iii) 90 percent of all kW in excess of 50,000 kW of the sum of (a) the firm contract demand, (b) the limited interruptible contract demand, and (c) the highest excess demand, whether under this contract or the 1978 Contract, established during the preceding 12 months exceeds

(2) the sum of (a) the demand charges for firm power, (b) the demand charges for limited interruptible power, and (c) the charges for limited interruptible energy. It is recognized that the calculation provided for in (b)(1) above is designed to reflect the exception language in the section headed *"Determination of Demand"* of the attached rate schedule. If at any time during Period 1 said exception language is altered or affected by modifications of, changes to, replacements of, or adjustments to said rate schedule, the provisions of (b)(1) above shall be revised by TVA to achieve consistency with said rate schedule as modified, changed, replaced, or adjusted. (Notwithstanding any other provisions of this subsection (b), (i) in the event of the occurrence of circumstances as described in section 4 of the Terms and Conditions, the amount provided for herein shall be prorated in a manner consistent with that described in said section 4, and (ii) for purposes of calculating the amount provided for herein, for any month during which the availability of limited interruptible power has been reduced by TVA in accordance with section 2 hereof, the limited interruptible contract demand shall be decreased on a pro rata basis to reflect the portion of the month during which such reduction of availability was in effect);

(c) in calculating the minimum bill as provided for in the second paragraph of the section of said rate schedule headed *"Minimum Bill,"* the base demand charge, as adjusted, referred to in item 2, shall be applied (i) during Period 1 to the sum of (a) the firm contract demand, (b) the limited interruptible contract demand, and (c) the highest excess demand, whether under this contract or the 1978 Contract, established during the preceding 12 months and (ii) during Period 2, only to the firm contract demand plus the highest excess demand established during the preceding 12 months; and provided further, that the minimum bill may be modified pursuant to section 4 of the Terms and Conditions. (During Period 1 only, amounts paid for demand and energy charges for limited interruptible power and for charges for replacement power shall be applied toward the satisfaction of the minimum bill obligation. If the minimum bill obligation is prorated for a separate billing period pursuant to section 4 of the Terms and Conditions, only amounts covering the limited interruptible and replacement power taken during such separate billing period shall be so applied toward the minimum bill obligation for such separate billing period);

(d) the sections of said rate schedule headed *"Seasonal Service"* and *"Contract Requirement,"* and the last sentence thereof relating to rules and regulations shall be of no force and effect, and during Period 1 only, the exception language set out in the section of said rate schedule headed *"Determination of Demand"* shall be of no force and effect;

(e) for purposes of applying the charges set out in the section headed *"Base Charges"* of said rate schedule, the words "billing demand" shall be deemed to refer to the sum of the billing demand for excess power and the billing demand for firm power; and provided further, it is understood that the additional amount which, under said section, is to be applied as part of the demand charge to each kW "by which customer's billing demand exceeds its contract demand" shall, for purposes of this contract, be an additional amount applied to each kW of Company's billing demand for excess power; and

(f) the term "Distributor" in said rate schedule shall be deemed to refer to TVA, and the words "contract demand" in said rate schedule, except as otherwise provided above, shall be deemed to be the total of the firm and limited interruptible power available.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract, the Exhibit, or the Terms and Conditions, the body of this contract, the Exhibit, or the Terms and Conditions, as the case may be, shall control.

8. *Electrical Fluctuations.* The power and energy taken hereunder shall not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. Company shall provide, at its expense, suitable apparatus which will reasonably limit such fluctuations. In the event that unreasonable fluctuations or disturbances, including without limitation harmonic currents resulting in actionable interference with communication systems or in harmonic resonance of now existing facilities, are caused by Company's facilities, TVA shall immediately notify Company's officer designated in section 9 hereof of the circumstances and TVA shall then have the right to discontinue the delivery of power and energy under this contract until the condition causing such fluctuations or disturbances is corrected by Company. TVA shall give Company written notice of these circumstances in addition to the above-mentioned notice, but the requirement of providing such written notice shall not limit or delay TVA's right to discontinue service to Company. Despite such discontinuance of service, Company shall be

obligated to pay TVA the amounts due for power and energy under this contract, including the minimum bills for such power.

9. *Notices.* Any notice or demand required by this contract shall be deemed properly given, if mailed, postage prepaid, to the Manager of Power and Engineering (Supply and Use), Tennessee Valley Authority, 6N36A Missionary Ridge Place, Chattanooga, Tennessee 37402-2801, on behalf of TVA, or to the Plant Manager, International Minerals & Chemical Corporation, Kimball, Tennessee 37347, on behalf of Company, except that oral notices between the authorized operating representatives of the parties (other than notice of termination pursuant to paragraph 1 of section 1 hereof, which must be in writing) will be sufficient if confirmed in writing. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

10. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

11. *Previous Contracts.* Effective as of the meter-reading time on September 26, 1985, (a) the 1978 Contract and (b) the arrangements under Letter Agreement TV-34449A, dated December 24, 1970, whereby TVA has made reactive power generating facilities available for Company's use from time to time, are hereby terminated. The penultimate sentence in section 2 of Letter Agreement TV-51473A, dated May 25, 1979, shall be deleted, and the following sentence substituted therefor:

The rental payments shall be due and payable each month on the due date for the monthly power invoice for power and energy under Power Contract TV-68179A, dated September 25, 1985, between the parties, or any extension, renewal, or replacement thereof.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

TENNESSEE VALLEY AUTHORITY
By /s/Robert C. Steffy, Jr.
Manager of Power and Engineering (Supply and Use)

Attest:

/s/J. Given
Title: Gen. Mgr.-TAC

INTERNATIONAL MINERALS & CHEMICAL CORPORATION
By /s/I. D. Paley
Title: Vice President

"Stamp"
Form Approved
R. G.
IMC Attorney

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And MONSANTO COMPANY

THIS CONTRACT, made and entered into as of July 31, 1985, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation organized and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and MONSANTO COMPANY (hereinafter called "Company"), a corporation organized and existing under the laws of the State of Delaware;

WITNESSETH:

WHEREAS, the parties have heretofore entered into Power Contract TV-45173A, dated October 28, 1976, as amended (hereinafter called the "1976 Contract"), under which firm power and 5-percent interruptible power are made available by TVA to Company, and entered into Power Contract TV-49009A, dated May 31, 1978, as amended (hereinafter called the "1978 Contract"), under which an additional amount of 5-percent interruptible power is made available by TVA to Company, all for the operation of Company's plant near Columbia, Tennessee; and

WHEREAS, Company wishes also to use limited interruptible power in the operation of said plant; and

WHEREAS, the parties desire to replace the 1976 Contract and the 1978 Contract with a new contract under which specified amounts of firm power, 5-percent interruptible power, and limited interruptible power (in accordance with TVA's standard arrangements for making limited interruptible power available) will be made available to Company;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of the meter-reading time on August 1, 1985, and shall continue in effect through the meter-reading time for the month of July 1995, unless sooner terminated as hereinafter provided. At any time, upon five years' written notice, either party may terminate the provisions hereunder covering availability of the total amount of limited interruptible power or may terminate this contract.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 1300 CST or CDT, whichever is currently effective, on the first day of the following calendar month; provided, however, that TVA may change the meter-reading time upon notice to Company.

2. *Availability of Firm, 5-Percent Interruptible, and Limited Interruptible Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder firm, 5-percent interruptible, and limited interruptible power in the respective amounts specified for the periods indicated in the tabulation set forth below. Each such period shall begin and end as of the meter-reading time on the dates indicated. Said amounts of firm, 5-percent interruptible, and limited interruptible power shall be the "firm contract demand," the "5-percent interruptible contract demand," and the "limited interruptible contract demand," respectively, hereunder for the respective periods.

	Amount of Power Available		
	Firm	*Interruptible*	
Period		*5 Percent*	*Limited*
August 1, 1985, through November 1, 1986 (hereinafter called "Period 1")	12,000 kW	68,350 kW	80,350 kW
November 1, 1986, through June 1, 1988 (hereinafter called "Period 2")	7,000 kW	18,000 kW	25,000 kW
June 1, 1988, to the end of the term hereof (hereinafter called "Period 3")	10,000 kW	0 kW	10,000 kW

Except as provided below with respect to 5-percent interruptible and limited interruptible power and as provided in section 4 of the attached Terms and Conditions with respect to interference with the availability of power, power in the amounts of the contract demands shall be made available continuously by TVA.

The following provisions shall apply to 5-percent interruptible power:

TVA shall have the right to reduce the power made available under this section to the total of the firm contract demand and the limited interruptible contract demand (or to

the firm contract demand if TVA has reduced the availability of limited interruptible power) at any time and from time to time; provided that such reductions in the availability of 5-percent interruptible power shall not exceed 2 in any calendar day nor aggregate more than 12 hours in any calendar day, 60 hours in any calendar week, 800 hours in any 12 consecutive months, or 5 percent of the time (1,242.0 hours) during Period 1 and Period 2 combined.

Whenever practicable, TVA will give Company preliminary notice of expected reductions on the day before such reductions of availability of 5-percent interruptible power are likely to occur. TVA will give Company a final notice of reduction, and Company shall reduce its load no later than 5 minutes after such final notice has been given. For the purposes of determining the billing amounts and the use of TVA's rights of reduction hereunder, each period of reduction shall commence 5 minutes after such final notice is given and shall end at the time notice is given of the restoration of the availability of 5-percent interruptible power. Such notices may be given orally but shall be confirmed in writing.

The following provisions shall apply to limited interruptible power:

TVA shall have the right to reduce the power made available under this section to the total of the firm contract demand and the 5-percent interruptible contract demand (or to the firm contract demand if TVA has reduced the availability of 5-percent interruptible power) at any time and from time to time; provided that (1) each period of reduction in the availability of limited interruptible power shall be a continuous period of not more than 15 days, (2) no such reduction shall be made within 30 days following the end of the immediately preceding reduction in the availability of limited interruptible power, (3) the aggregate of all reductions during any 12-consecutive month period shall not exceed 45 days, and (4) if TVA deems that there is adequate generating capacity available on the TVA system to meet all loads, TVA will exercise such right of reduction only if revised projections of operating costs for the then current fiscal year cause TVA to conclude, in its sole judgment, that the average incremental operating costs for the TVA system for that fiscal year will exceed the average cost estimates which were made by TVA prior to the beginning of that fiscal year for purposes of establishing charges for limited interruptible power. TVA shall give Company not less than 24 hours' prior notice of reduction in the availability of limited interruptible power. Such notice shall specify the time and date for beginning said reduction and TVA's estimate of the time and date for ending said reduction. However, if the estimated length of the reduction is less than 15 days, TVA shall have the right to continue the period of reduction by furnishing Company notice thereof at least 3 days prior to the estimated end of the reduction period furnished Company in the notice provided for under the preceding sentence; provided, however, that the reduction period as so continued will not exceed 15 days; and provided further, that TVA will continue such reduction beyond the initial estimate only once in a reduction period.

Any notice provided for in the preceding paragraph may be given orally but shall be confirmed in writing. The length of any notice period and the length of any reduction period provided for in the preceding paragraph may be revised at any time by agreement of the parties.

3. *Availability of Replacement Power.* During periods of reduction in the availability of limited interruptible power (including any continuation of such a reduction) as provided for in section 2 hereof, TVA will make available replacement power in an amount up to the limited interruptible contract demand for all or part of the reduction period (including any continuation of such a reduction period) as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with a mutually satisfactory scheduled amount being agreed upon at least 12 hours prior to the requested time of initial availability of such replacement power. When Company furnishes to TVA a proposed schedule for taking a specific amount of replacement power, TVA will determine the price for such power based upon TVA's estimated out-of-pocket cost of supplying such replacement power plus 20 percent. This price will be quoted to Company at least 16 hours prior to the requested time of initial availability of replacement power; provided that Company furnishes the proposed schedule to TVA in time for TVA to have 4 hours in which to make the necessary determinations. If Company elects to schedule such replacement power, it will be paid for by Company at such quoted price. It is understood that any price quoted by TVA is only applicable for the specific proposed schedule for which it is quoted, and TVA shall have no obligation to make available at the quoted price replacement power for any period of time or in any amount differing from that set out in such proposed schedule.

Any schedule of replacement power may be revised at any time by agreement of the parties; provided, however, that when replacement power is requested by Company under a revised

schedule, TVA shall quote Company a price therefor based upon TVA's then estimated out-of-pocket cost for supplying such replacement power (under the revised schedule) plus 20 percent, and any such replacement power scheduled will be paid for at that revised price.

Any replacement power schedule agreed to by the parties, or any notice about replacement power, if oral, shall be confirmed in writing.

4. *Availability of Supplemental Power.* TVA will make available supplemental power in such amounts and at such times as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability being agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to ensure that TVA will be able to meet its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy. Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

5. *Conditions of Delivery.* The point of delivery for power and energy made available hereunder shall be at the point of interconnection of TVA's 161-kV facilities and the facilities leased by Company from TVA under Lease-Purchase and Amendatory Agreement TV-45173A, Supplement 6, and TV-49009A, Supplement 2, dated July 1, 1984. The power made available hereunder shall be delivered at a nominal voltage of 161,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions.

For billing purposes hereunder, the respective amounts of power and energy measured by TVA's meters installed at the Monsanto Switching Station shall be adjusted by taking into account transmission and transformer losses to reflect delivery at 161 kV at the delivery point specified herein. The total demand, the total metered energy, and the energy, if any, taken in a separate billing period as provided for in section 4 of the Terms and Conditions, all as set out below, shall reflect the adjustment provided for in this paragraph.

TVA shall have the right to use without charge the facilities leased by Company under section 1(a) of said Supplement 6 and Supplement 2, to the extent of the capacity in said facilities in excess of the requirements of Company, for the purpose of providing emergency or maintenance power and energy to other customers of TVA.

6. *Determination of Billing Amounts.* A month shall be the billing period, except that any month within which there is a change in the availability of 5-percent interruptible power or limited interruptible power under section 2 hereof or a change in the availability of or price of replacement power or supplemental power under sections 3 and 4, respectively, hereof will be divided for billing purposes. Each such billing period in that month shall be comprised of the intervals in which the same amounts of each type of power are available at the same price, whether or not they are consecutive intervals. It is recognized that where appropriate, as provided for in section 4 of the Terms and Conditions, a month will be divided for billing purposes as described therein and, except as may be provided otherwise in this section 6 with respect to such periods, billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm, 5-percent interruptible, limited interruptible (or replacement), and supplemental power available hereunder (during periods when firm, 5-percent interruptible, limited interruptible (or replacement), and supplemental power are available), or (b) the aggregate amount of firm, 5-percent interruptible, and supplemental power available hereunder (during periods when only firm, 5-percent interruptible, and supplemental power are available), or (c) the aggregate amount of firm, 5-percent interruptible, and limited interruptible (or replacement) power available hereunder (during periods when only firm, 5-percent interruptible, and limited interruptible (or replacement) power are available), or (d) the aggregate amount of firm, limited interruptible (or replacement), and supplemental power available hereunder (during periods when only firm,

limited interruptible (or replacement), and supplemental power are available), or (e) the aggregate amount of firm and limited interruptible (or replacement) power available hereunder (during periods when only firm and limited interruptible (or replacement) power are available), or (f) the aggregate amount of firm and 5-percent interruptible power available hereunder (during periods when only firm and 5-percent interruptible power are available), or (g) the aggregate amount of firm and supplemental power available hereunder (during periods when only firm and supplemental power are available), or (h) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make replacement power available under section 3 hereof, the billing demand for replacement power shall be the replacement power scheduled in accordance with said section 3, and such replacement power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the period scheduled for purposes of determining the amounts of replacement energy deemed to have been taken by Company hereunder.

For any billing period in which TVA has agreed to make supplemental power available under section 4 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 4, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

The total demand for each billing period less the sum of any excess demand, any billing demand for replacement power, and any billing demand for supplemental power shall be the "total normal demand." The total metered energy for each month, less (1) the sum of any replacement energy and supplemental energy deemed to have been taken by Company hereunder (excluding any replacement energy and supplemental energy deemed to have been taken during a separate billing period as provided for in section 4 of the Terms and Conditions) and (2) the total energy used during any such separate billing period, shall be the "total normal energy."

(a) During Period 1 and Period 2 as specified in section 2 hereof, the following provisions shall apply:

Of the total normal demand taken in any billing period, the demand for firm power shall be deemed to be the first power taken, up to and including the amount of firm power available. For any billing period in which 5-percent interruptible power is available, the demand for 5-percent interruptible power shall be deemed to be the lesser of (1) the total normal demand less the demand for firm power, or (2) the 5-percent interruptible contract demand. The demand for limited interruptible power shall be deemed to be the total normal demand less the sum of the demand for firm power and any demand for 5-percent interruptible power. The highest demand for firm power, the highest demand for 5-percent interruptible power, and the highest demand for limited interruptible power as so determined in a month shall be the respective billing demands for those types of power for the month, except that the billing demand for each for any separate billing period in which the availability of any type of power was interrupted or curtailed pursuant to section 4 of the Terms and Conditions shall be the highest demand for such power as so determined for that separate billing period; provided, however, that during Period 2 only, the sum of the billing demands for firm and 5-percent interruptible power shall in no case be less than the amount calculated under the exception language set out in the *Determination of Demand* section of Schedule GP-I (as modified, changed, replaced, or adjusted by TVA from time to time); and provided further, that in making calculations under said exception language, the words "the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months" appearing therein shall be replaced by "the sum of (a) the firm contract demand, (b) the 5-percent interruptible contract demand, and (c) the highest excess demand established during the preceding 12 months"; and provided further, that of the sum of the billing demands for firm and 5-percent interruptible power (determined in accordance with the preceding two provisos), the firm billing demand shall be the amount of firm power available.

Of the total normal energy used in the month, the firm energy shall be deemed to be the lesser of (1) the total normal energy or (2) the product obtained by multiplying the firm contract demand times the total hours during the month in which firm power is available (excluding any hours included in a separate billing period as provided for in section 4 of the Terms and Conditions) times a load factor of 0.8298. The 5-percent

interruptible energy shall be deemed to be the lesser of (1) the total normal energy less the firm energy or (2) the product obtained by multiplying the 5-percent interruptible contract demand times the total hours during the month in which 5-percent interruptible power is available (excluding any hours included in a separate billing period as provided for in section 4 of the Terms and Conditions) times a load factor of 0.8298. The limited interruptible energy shall be deemed to be the total normal energy less the sum of the firm and 5-percent interruptible energy.

Notwithstanding any provisions of the preceding paragraphs, for any separate billing period as provided for in the third paragraph of section 4 of the Terms and Conditions, the following shall apply (provided that Company notifies TVA within 24 hours following Company's initial inability to operate the facilities for which power is available under this contract):

(1) no supplemental power shall be deemed to have been scheduled during such separate billing period, (2) the billing demand for replacement power for such separate billing period (if any was scheduled) shall be deemed to be the amount, if any, by which the total demand for said separate billing period exceeds the sum of the contract demand for firm power and the contract demand for 5-percent interruptible power, and (3) the replacement energy deemed to have been taken during such separate billing period shall be the product obtained by multiplying the billing demand for replacement power as determined in accordance with the provisions of this paragraph times the number of hours in such separate billing period times a load factor of 92 percent.

The total energy used in any separate billing period as provided for in section 4 of the Terms and Conditions shall be decreased by the sum of any replacement energy and supplemental energy deemed to have been taken during said separate billing period, and the firm energy shall be deemed to be the lesser of (1) the total energy used during said separate billing period (as so decreased) or (2) the product obtained by multiplying the firm contract demand times the total hours during said separate billing period in which firm power is available times a load factor of 0.8298. The 5-percent interruptible energy shall be deemed to be the lesser of (1) the total energy used during said separate billing period (as so decreased) less the firm energy or (2) the product obtained by multiplying the 5-percent interruptible contract demand times the total hours during said separate billing period in which 5-percent interruptible power is available times a load factor of 0.8298. The limited interruptible energy shall be deemed to be the total energy used during said separate billing period (as so decreased) less the sum of the firm and 5-percent interruptible energy.

(b) During Period 3 as specified in section 2 hereof, the following provisions shall apply:

Of the total normal demand taken in any billing period, the demand for firm power shall be deemed to be the first power taken, up to and including the amount of firm power available, and the demand for limited interruptible power shall be deemed to be the total normal demand less the demand for firm power. The highest demand for firm power and the highest demand for limited interruptible power as so determined in a month shall be the respective billing demands for those types of power for the month, except that the billing demand for either for any separate billing period in which the availability of any type of power was interrupted or curtailed pursuant to section 4 of the Terms and Conditions shall be the highest demand for such power as so determined for that separate billing period; provided, however, that the billing demand for firm power shall in no case be less than the amount calculated under the exception language set out in the *Determination of Demand* section of Schedule GP-I (as modified, changed, replaced, or adjusted by TVA from time to time); and provided further, that in making calculations under said exception language, the words "the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months" appearing therein shall be replaced by "the sum of (a) the firm contract demand and (b) the highest excess demand established during the preceding 12 months."

Of the total normal energy used in the month, the firm energy shall be deemed to be the lesser of the total normal energy or the product obtained by multiplying the firm contract demand times the total hours during the month in which firm power is available (excluding any hours included in a separate billing period as provided for in section 4 of the Terms and Conditions) times a load factor of 0.8298. The limited interruptible energy shall be deemed to be the total normal energy less the firm energy.

Notwithstanding any provisions of the preceding paragraphs, for any separate billing period as provided for in the third paragraph of section 4 of the Terms and Conditions, the following shall apply (provided that Company notifies TVA within 24 hours following

Company's initial inability to operate the facilities for which power is available under this contract):

(1) no supplemental power shall be deemed to have been scheduled during such separate billing period, (2) the billing demand for replacement power for such separate billing period (if any was scheduled) shall be deemed to be the amount, if any, by which the total demand for said separate billing period exceeds the contract demand for firm power, and (3) the replacement energy deemed to have been taken during such separate billing period shall be the product obtained by multiplying the billing demand for replacement power as determined in accordance with the provisions of this paragraph times the number of hours in such separate billing period times a load factor of 92 percent.

The total energy used in any separate billing period as provided for in section 4 of the Terms and Conditions shall be decreased by the sum of any replacement energy and supplemental energy deemed to have been taken during said separate billing period, and the firm energy shall be deemed to be the lesser of the total energy used during said separate billing period (as so decreased) or the product obtained by multiplying the firm contract demand times the total hours during said separate billing period in which firm power is available times a load factor of 0.8298. The limited interruptible energy shall be deemed to be the total energy used during said separate billing period (as so decreased) less the firm energy.

7. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, demand charges for 5-percent interruptible power, demand charges for limited interruptible power, charges for replacement power, charges for supplemental power, demand charges for any excess takings, charges for firm energy used, charges for 5-percent interruptible energy used, charges for limited interruptible energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GP-I, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule is attached hereto and made a part hereof; provided that

(a) the base charges applicable to the demand for limited interruptible power and the limited interruptible energy used shall be those set out in Exhibit A, which is attached hereto and made a part hereof, as said charges may be increased or decreased as provided in said Exhibit A; and provided further, that demand charges for limited interruptible power shall be prorated for periods during which the availability of limited interruptible power has been reduced by TVA in accord with section 2 hereof;

(b) during Period 1 and Period 2, in recognition of TVA's right to reduce the availability of 5-percent interruptible power under section 2 of this contract, Company's monthly power bill as determined hereunder shall be reduced by the amount of the credit determined in accordance with Exhibit B, which is attached hereto and made a part hereof. It is recognized and agreed: (1) that all references in Exhibit B to "interruptible" not expressly designated "5-percent interruptible" shall be deemed to be so designated; (2) that all calculations and definitions under Exhibit B shall exclude any excess and standby power demands, any limited interruptible power demands and energy, and any supplemental or replacement power demands and associated energy that Company is deemed to have taken in the month under this contract; (3) that the words "firm billing demand" and "interruptible billing demand" appearing in Exhibit B shall be deemed to refer to the firm billing demand and the 5-percent interruptible billing demand as determined in accordance with the provisions of the first paragraph of subsection 6(a) hereof, but without reference to the provisions of the provisos contained in said paragraph; (4) that the words "customer's contract term" appearing in the last paragraph of Exhibit B shall be deemed to be that portion of the customer's contract term in which 5-percent interruptible power is available; and (5) that any credits referred to herein and provided for under Exhibit B shall not be construed to reduce the minimum charges applicable under the section of said rate schedule headed "*Minimum Bill;*"

(c) during Period 1, Company shall pay each month, in addition to the charges specified above, the amount, if any, by which (1) the product obtained by multiplying the demand charge applicable under part B of the attached rate schedule (as modified, changed, replaced, or adjusted by TVA from time to time) times (i) 40 percent of the first 5,000 kW, (ii) 70 percent of the next 45,000 kW, and (iii) 90 percent of all kW in excess of 50,000 kW of the sum of (a) the firm contract demand, (b) the 5-percent interruptible contract demand, (c) the limited interruptible contract demand, and (d) the highest excess demand, whether under this contract or the 1978 Contract, established during the preceding 12

months exceeds (2) the sum of (a) the demand charges for firm power, (b) the demand charges for 5-percent interruptible power, (c) the demand charges for limited interruptible power, and (d) the charges for limited interruptible energy. It is recognized that the calculation provided for in (c)(1) above is designed to reflect the exception language in the section headed "*Determination of Demand*" of the attached rate schedule. If at any time during Period 1 said exception language is altered or affected by modifications of, changes to, replacements of, or adjustments to said rate schedule, the provisions of (c)(1) above shall be revised by TVA to achieve consistency with said rate schedule as modified, changed, replaced, or adjusted. (Notwithstanding any other provisions of this subsection (c),(i) in the event of the occurrence of circumstances as described in section 4 of the Terms and Conditions, the amount provided for herein shall be prorated in a manner consistent with that described in said section 4, and (ii) for purposes of calculating the amount provided for herein, for any month during which the availability of limited interruptible power has been reduced by TVA in accordance with section 2 hereof, the limited interruptible contract demand shall be decreased on a pro rata basis to reflect the portion of the month during which such reduction of availability was in effect);

(d) in calculating the minimum bill as provided for in the second paragraph of the section of said rate schedule headed "*Minimum Bill*," the base demand charge, as adjusted, referred to in item 2, shall be applied (i) during Period 1 to the sum of (a) the firm contract demand, (b) the 5-percent interruptible contract demand, (c) the limited interruptible contract demand, and (d) the highest excess demand, whether under this contract or the 1978 Contract, established during the preceding 12 months, (ii) during Period 2 to the sum of (a) the firm contract demand, (b) the 5-percent interruptible contract demand, and (c) the highest excess demand established during the preceding 12 months, and (iii) during Period 3, only to the firm contract demand plus the highest excess demand established during the preceding 12 months; and provided further, that the minimum bill may be modified pursuant to section 4 of the Terms and Conditions. (During Period 1 only, amounts paid for demand and energy charges for limited interruptible power and for charges for replacement power shall be applied toward the satisfaction of the minimum bill obligation. If the minimum bill obligation is prorated for a separate billing period pursuant to section 4 of the Terms and Conditions, only amounts covering the limited interruptible and replacement power taken during such separate billing period shall be so applied toward the minimum bill obligation for such separate billing period);

(e) the sections of said rate schedule headed "*Availability*," "*Seasonal Service*," and "*Contract Requirement*," and the last sentence thereof relating to rules and regulations shall be of no force and effect, and during Period 1 only, the exception language set out in the section of said rate schedule headed "*Determination of Demand*" shall be of no force and effect;

(f) for purposes of applying the charges set out in the section headed "*Base Charges*" of said rate schedule, the words "billing demand" shall be deemed to refer to the sum of the billing demand for excess power, the billing demand for firm power, and the billing demand for 5-percent interruptible power; and provided further, it is understood that the additional amount which, under said section, is to be applied as part of the demand charge to each kW "by which customer's billing demand exceeds its contract demand" shall, for purposes of this contract, be an additional amount applied to each kW of Company's billing demand for excess power; and

(g) the term "Distributor" in said rate schedule shall be deemed to refer to TVA, and the words "contract demand" in said rate schedule, except as otherwise provided above, shall be deemed to be the total of the firm, limited interruptible, and 5-percent interruptible power available.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract, the Exhibits, or the Terms and Conditions, the body of this contract, the Exhibits, or the Terms and Conditions, as the case may be, shall control.

8. *Notices.* Any notice or demand required by this contract shall be deemed properly given, if mailed, postage prepaid, to the Manager of Power and Engineering, Tennessee Valley Authority, 500A Chestnut Street Tower II, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Plant Manager, Monsanto Company, Columbia, Tennessee 38401, on behalf of Company, except that oral notices between the authorized operating representatives of the parties will be sufficient if confirmed in writing. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

9. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

10. *Previous Contracts.* Effective as of the meter-reading time on August 1, 1985, the 1976 Contract and the 1978 Contract are hereby terminated; provided, however, that Lease-Purchase and Amendatory Agreement TV-45173A, Supplement C, and TV-49009A, Supplement 2, dated July 1, 1984 (except for the provisions of section 4 thereof), shall continue in full force and effect; and provided further, that references in the body of said Supplement 6 and said Supplement 2 to the "1976 Contract" and the "1978 Contract" shall be deemed to refer to this contract.

The penultimate sentence in section 2 of Agreement TV-50894A, dated March 15, 1979, shall be deleted, and the following sentence substituted therefor:

> The rental payments shall be due and payable each month on the due date for the monthly power invoice for power and energy under Power Contract TV-67686A, dated July 31, 1985, between the parties, or any extension, renewal, or replacement thereof.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

TENNESSEE VALLEY AUTHORITY
By /s/Robert C. Steffy, Jr.
Manager of Power and Engineering
(Supply and Use)

Attest: (Seal)
/s/ J. R. Bley, Jr.
Assistant Secretary

MONSANTO COMPANY
By /s/Richard De Schutter
Title: V.P. & Managing Director

EXHIBIT B

5-PERCENT INTERRUPTIBLE POWER CREDIT
(January 1979)

Industrial customers having 5-percent interruptible power under a power contract shall receive a credit on their monthly power bill as determined below.

All calculations and definitions hereunder shall exclude any excess, standby, and/or supplemental power demands and associated energy that the customer is deemed to have taken in the month under the power contract.

Credit: $2.35 per kilowatt of the effective interruptible demand (EID) per month.

Where: EID = [(.3 + .7UF) kWT] less the customer's firm contract demand,

UF or customer's monthly "use factor" = The total firm and interruptible energy taken in the month divided by the sum of
(a) the firm billing demand times hours available and
(b) the interruptible billing demand times hours available,

kWT = The sum of the customer's billing demands for firm and interruptible power for the month,

The terms "firm contract demand," "firm billing demand," and "interruptible billing demand," as used herein, are the same as those terms defined in the power contract.

If at any time after April 1979 TVA should change, modify, replace, or adjust its General Power Rate schedules so that the total monthly bill, exclusive of any applicable facilities rental charges under said schedule, for a firm power load of 20,000 kW and 10,000,000 kWh (herein called "designated load") is increased, the above credit of $2.35 per kilowatt shall be increased. The increased credit shall become effective with any such change, modification, replacement, or adjustment, and shall be equal to $2.35 times the ratio of said monthly bill for the designated load after the change, modification, replacement, or adjustment to said monthly bill for the designated load for the month of April 1979. Each such increase in the credit shall become effective, however, only if at least five years remain in effect in the customer's contract term on the effective date of the increased credit. TVA, the distributor, and the customer may, however, agree to extend the contract term such that a minimum of five years remain after the effective date of the increased credit.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And OLIN CORPORATION

THIS CONTRACT, made and entered into as of August 21, 1985, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation organized and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and OLIN CORPORATION (hereinafter called "Company"), a corporation organized and existing under the laws of the State of Virginia;

WITNESSETH:

WHEREAS, the parties have heretofore entered into Power Contract TV-48551A, dated March 30, 1978, as amended (hereinafter called the "1978 Contract"), under which firm power is made available by TVA to Company for the operation of Company's chemical plant near Charleston, Tennessee; and

WHEREAS, Company wishes also to use limited interruptible power in the operation of said plant; and

WHEREAS, the parties desire to replace the 1978 Contract with a new contract under which specified amounts of firm power and limited interruptible power (in accordance with TVA's standard arrangements for making limited interruptible power available) will be made available to Company;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of the meter-reading time on August 25, 1985, and shall continue in effect through the meter-reading time for the month of August 1995, unless sooner terminated as hereinafter provided. At any time, upon 5 years' written notice, either party may terminate the provisions hereunder covering availability of the total amount of limited interruptible power or may terminate this contract.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 0000 CST or CDT, whichever is currently effective, on the twenty-fifth day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to Company.

2. *Availability of Firm and Limited Interruptible Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder firm and limited interruptible power in the respective amounts specified for the periods indicated in the tabulation set forth below. Each such period shall begin and end as of the meter-reading time on the dates indicated. Said amounts of firm and limited interruptible power shall be the "firm contract demand" and the "limited interruptible contract demand," respectively, hereunder for the respective periods.

Period	*Amount of Power Available*	
	Firm	*Limited Interruptible*
August 25, 1985 through March 25, 1988 (hereinafter called "Period 1")	67,500 kW	52,500 kW
March 25, 1988 to the end of the term hereof (hereinafter called "Period 2")	67,500 kW	52,500 kW

Except as provided below with respect to limited interruptible power and as provided in section 4 of the attached Terms and Conditions with respect to interference with the availability of power, power in the amounts of the contract demands shall be made available continuously by TVA.

TVA shall have the right to reduce the power made available under this section to the firm contract demand at any time and from time to time; provided that (1) each period of reduction in the availability of limited interruptible power shall be a continuous period of not more than 15 days, (2) no such reduction shall be made within 30 days following the end of the immediately preceding reduction in the availability of limited interruptible power, (3) the aggregate of all reductions during any 12-consecutive-month period shall not exceed 45 days, and (4) if TVA deems that there is adequate generating capacity available on the TVA system to meet all loads, TVA will exercise such right of reduction only if revised projections of operating costs for the then current fiscal year cause TVA to conclude, in its sole judgment, that the average

incremental operating costs for the TVA system for that fiscal year will exceed the average cost estimates which were made by TVA prior to the beginning of that fiscal year for purposes of establishing charges for limited interruptible power. TVA shall give Company not less than 24 hours' prior notice of reduction in the availability of limited interruptible power. Such notice shall specify the time and date for beginning said reduction and TVA's estimate of the time and date for ending said reduction. However, if the estimated length of the reduction is less than 15 days, TVA shall have the right to continue the period of reduction by furnishing Company notice thereof at least 3 days prior to the estimated end of the reduction period furnished Company in the notice provided for under the preceding sentence; provided, however, that the reduction period as so continued will not exceed 15 days; and provided further, that TVA will continue such reduction beyond the initial estimate only once in a reduction period.

Any notice provided for in the preceding paragraph may be given orally but shall be confirmed in writing. The length of any notice period and the length of any reduction period provided for in the preceding paragraph may be revised at any time by agreement of the parties.

3. *Availability of Replacement Power.* During periods of reduction in the availability of limited interruptible power (including any continuation of such a reduction) as provided for in section 2 hereof, TVA will make available replacement power in an amount up to the limited interruptible contract demand for all or part of the reduction period (including any continuation of such a reduction period) as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with a mutually satisfactory scheduled amount being agreed upon at least 12 hours prior to the requested time of initial availability of such replacement power. When Company furnishes to TVA a proposed schedule for taking a specific amount of replacement power, TVA will determine the price for such power based upon TVA's estimated out-of-pocket cost of supplying such replacement power plus 20 percent. This price will be quoted to Company at least 16 hours prior to the requested time of initial availability of replacement power; provided that Company furnishes the proposed schedule to TVA in time for TVA to have 4 hours in which to make the necessary determinations. If Company elects to schedule such replacement power, it will be paid for by Company at such quoted price. It is understood that any price quoted by TVA is only applicable for the specific proposed schedule for which it is quoted, and TVA shall have no obligation to make available at the quoted price replacement power for any period of time or in any amount differing from that set out in such proposed schedule.

Any schedule of replacement power may be revised at any time by agreement of the parties; provided, however, that when replacement power is requested by Company under a revised schedule, TVA shall quote Company a price therefor based upon TVA's then estimated out-of-pocket cost for supplying such replacement power (under the revised schedule) plus 20 percent, and any such replacement power scheduled will be paid for at that revised price.

Any replacement power schedule agreed to by the parties, or any notice about replacement power, if oral, shall be confirmed in writing.

4. *Availability of Supplemental Power.* TVA will make available supplemental power in such amounts and at such times as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to ensure that TVA will be able to meet its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy. Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

5. *Conditions of Delivery.* The power available hereunder shall be delivered at a nominal voltage of 161,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions. The point of delivery for power and energy made available hereunder shall be the point of interconnection of TVA's 161-kV facilities and Company's 161-kV facilities in the Charleston 161-kV Substation.

The respective amounts of power and energy measured by TVA's 13-kV meters installed on the low-voltage side of transformer banks numbered 1 and 2 in the Charleston 161-kV Substation shall be appropriately adjusted by taking into account losses to reflect delivery at the 161-kV delivery point specified herein, and such respectively adjusted amounts shall be totalized on a simultaneous basis with the amounts of power and energy measured by TVA's 161-kV meters installed for metering power and energy deliveries at the point of connection of TVA's 161-kV busses shown in red on Exhibit A attached to Agreement TV-48551A, Supplement 1, dated May 2, 1980, and such totalized amounts shall be used for billing purposes hereunder.

6. *Determination of Billing Amounts.* A month shall be the billing period, except that any month within which there is a change in the availability of limited interruptible power under section 2 hereof or a change in the availability of or price of replacement power or supplemental power under sections 3 and 4, respectively, hereof will be divided for billing purposes. Each such billing period in that month shall be comprised of the intervals in which the same amounts of each type of power are available at the same price, whether or not they are consecutive intervals. It is recognized that where appropriate, as provided for in section 4 of the Terms and Conditions, a month will be divided for billing purposes as described therein and, except as may be provided otherwise in this section 6 with respect to such periods, billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm, limited interruptible (or replacement), and supplemental power available hereunder (during periods when firm, limited interruptible (or replacement), and supplemental power are available), or (b) the aggregate amount of firm and limited interruptible (or replacement) power available hereunder (during periods when only firm and limited interruptible (or replacement) power are available), or (c) the aggregate amount of firm and supplemental power available hereunder (during periods when only firm and supplemental power are available), or (d) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make replacement power available under section 3 hereof, the billing demand for replacement power shall be the replacement power scheduled in accordance with said section 3, and such replacement power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the period scheduled for purposes of determining the amounts of replacement energy deemed to have been taken by Company hereunder.

For any billing period in which TVA has agreed to make supplemental power available under section 4 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 4, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

The total demand for each billing period less the sum of any excess demand, any billing demand for replacement power, and any billing demand for supplemental power shall be the "total normal demand." The total metered energy for each month, less (1) the sum of any replacement energy and supplemental energy deemed to have been taken by Company hereunder (excluding any replacement energy and supplemental energy deemed to have been taken during a separate billing period as provided for in section 4 of the Terms and Conditions) and (2) the total energy used during any such separate billing period, shall be the "total normal energy."

Of the total normal demand taken in any billing period, the demand for firm power shall be deemed to be the first power taken, up to and including the amount of firm power available, and the demand for limited interruptible power shall be deemed to be the total normal demand less the demand for firm power. The highest demand for firm power and the highest demand for limited interruptible power as so determined in a month shall be the respective billing demands for those types of power for the month, except that the billing demand for either for any separate billing period in which the availability of any type of power was interrupted or curtailed pursuant to section 4 of the Terms and Conditions shall be the highest demand for such power as so determined for that separate billing period; provided, however, that during Period 2 only, the billing demand for firm power shall in no case be less than the amount calculated under the exception language set out in the *Determination of Demand* section of

Schedule GP-I (as modified, changed, replaced, or adjusted by TVA from time to time); and provided further, that in making calculations under said exception language, the words "the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months" appearing therein shall be replaced by "the sum of (a) the firm contract demand and (b) the highest excess demand established during the preceding 12 months."

Of the total normal energy used in the month, the firm energy shall be deemed to be the lesser of the total normal energy or the product obtained by multiplying the firm contract demand times the total hours during the month in which firm power is available (excluding any hours included in a separate billing period as provided for in section 4 of the Terms and Conditions) times a load factor of 0.9394. The limited interruptible energy shall be deemed to be the total normal energy less the firm energy.

Notwithstanding any provisions of the preceding paragraphs, for any separate billing period as provided for in the third paragraph of section 4 of the Terms and Conditions, the following shall apply (provided that Company notifies TVA within 24 hours following Company's initial inability to operate the facilities for which power is available under this contract):

(1) no supplemental power shall be deemed to have been scheduled during such separate billing period, (2) the billing demand for replacement power for such separate billing period (if any was scheduled) shall be deemed to be the amount, if any, by which the total demand for said separate billing period exceeds the contract demand for firm power, and (3) the replacement energy deemed to have been taken during such separate billing period shall be the product obtained by multiplying the billing demand for replacement power as determined in accordance with the provisions of this paragraph times the number of hours in such separate billing period times a load factor of 0.92.

The total energy used in any separate billing period as provided for in section 4 of the Terms and Conditions shall be decreased by the sum of any replacement energy and supplemental energy deemed to have been taken during said separate billing period, and the firm energy shall be deemed to be the lesser of the total energy used during said separate billing period (as so decreased) or the product obtained by multiplying the firm contract demand times the total hours during said separate billing period in which firm power is available times a load factor of 0.9394. The limited interruptible energy shall be deemed to be the total energy used during said separate billing period (as so decreased) less the firm energy.

7. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, demand charges for limited interruptible power, charges for replacement power, charges for supplemental power, demand charges for any excess takings, charges for firm energy used, charges for limited interruptible energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GP-I, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule is attached hereto and made a part hereof; provided that

(a) the base charges applicable to the demand for limited interruptible power and the limited interruptible energy used shall be those set out in Exhibit A, which is attached hereto and made a part hereof, as said charges may be increased or decreased as provided in said Exhibit A; and provided further, that demand charges for limited interruptible power shall be prorated for periods during which the availability of limited interruptible power has been reduced by TVA in accord with section 2 hereof;

(b) during Period 1, Company shall pay each month, in addition to the charges specified above, the amount, if any, by which (1) the product obtained by multiplying the demand charge applicable under part B of the attached rate schedule (as modified, changed, replaced, or adjusted by TVA from time to time) times (i) 40 percent of the first 5,000 kW, (ii) 70 percent of the next 45,000 kW, and (iii) 90 percent of all kW in excess of 50,000 kW of the sum of (a) 115,000 kW and (b) the highest excess demand, whether under this contract or the 1978 Contract, established during the preceding 12 months exceeds (2) the sum of (a) the demand charges for firm power, (b) the demand charges for limited interruptible power, and (c) the charges for limited interruptible energy. It is recognized that the calculation provided for in (b)(1) above is designed to reflect the exception language in the section headed "*Determination of Demand*" of the attached rate schedule. If at any time during Period 1 said exception language is altered or affected by modifications of, changes to, replacements of, or adjustments to said rate schedule, the provisions of (b)(1) above shall be revised by TVA to achieve consistency with said rate schedule as modified, changed, replaced, or adjusted. (Notwithstanding any other provisions of this subsection (b), (i) in the event of the occurrence of circumstances as described in section

4 of the Terms and Conditions, the amount provided for herein shall be prorated in a manner consistent with that described in said section 4, and (ii) for purposes of calculating the amount provided for herein, for any month during which the availability of limited interruptible power has been reduced by TVA in accordance with section 2 hereof, 47,500 kW of the 115,000 kW specified herein shall be decreased on a pro rata basis to reflect the portion of the month during which such reduction of availability was in effect);

(c) in calculating the minimum bill as provided for in the second paragraph of the section of said rate schedule headed "*Minimum Bill*," the base demand charge, as adjusted, referred to in item 2, shall be applied (i) during Period 1 to the sum of (a) 115,000 kW and (b) the highest excess demand, whether under this contract or the 1978 Contract, established during the preceding 12 months and (ii) during Period 2, only to the firm contract demand plus the highest excess demand established during the preceding 12 months; and provided further, that the minimum bill may be modified pursuant to section 4 of the Terms and Conditions. (During Period 1 only, amounts paid for demand and energy charges for limited interruptible power and for charges for replacement power shall be applied toward the satisfaction of the minimum bill obligation. If the minimum bill obligation is prorated for a separate billing period pursuant to section 4 of the Terms and Conditions, only amounts covering the limited interruptible and replacement power taken during such separate billing period shall be so applied toward the minimum bill obligation for such separate billing period);

(d) the sections of said rate schedule headed "*Seasonal Service*" and "*Contract Requirement*," and the last sentence thereof relating to rules and regulations shall be of no force and effect, and during Period 1 only, the exception language set out in the section of said rate schedule headed "*Determination of Demand*" shall be of no force and effect;

(e) for purposes of applying the charges set out in the section headed "*Base Charges*" of said rate schedule, the words "billing demand" shall be deemed to refer to the sum of the billing demand for excess power and the billing demand for firm power; and provided further, it is understood that the additional amount which, under said section, is to be applied as part of the demand charge to each kW "by which customer's billing demand exceeds its contract demand" shall, for purposes of this contract, be an additional amount applied to each kW of Company's billing demand for excess power; and

(f) the term "Distributor" in said rate schedule shall be deemed to refer to TVA, and the words "contract demand" in said rate schedule, except as otherwise provided above, shall be deemed to be the total of the firm and limited interruptible power available.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract, the Exhibit, or the Terms and Conditions, the body of this contract, the Exhibit, or the Terms and Conditions, as the case may be, shall control.

8. *Electrical Fluctuations.* The power and energy taken hereunder shall not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. Company shall provide, at its expense, suitable apparatus which will reasonably limit such fluctuations. In the event that unreasonable fluctuations or disturbances, including without limitation harmonic currents resulting in actionable interference with communication systems or in harmonic resonance of now existing facilities, are caused by Company's facilities, TVA shall immediately notify Company's officer designated in section 9 hereof of the circumstances, and TVA shall then have the right to discontinue the delivery of power and energy under this contract until the condition causing such fluctuations or disturbances is corrected by Company. TVA shall give Company written notice of these circumstances in addition to the above-mentioned notice, but the requirement of providing such written notice shall not limit or delay TVA's right to discontinue service to Company. Despite such discontinuance of service, Company shall be obligated to pay TVA the amounts due for power and energy under this contract, including the minimum bills for such power.

9. *Notices.* Any notice or demand required by this contract shall be deemed properly given, if mailed, postage prepaid, to the Manager of Power and Engineering (Supply and Use), Tennessee Valley Authority, 535 Chestnut Street Tower II, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Plant Manager, Olin Corporation, P.O. Box 248, Charleston, Tennessee 37310, on behalf of Company, except that oral notices between the authorized operating representatives of the parties (other than notice of termination pursuant to paragraph 1 of section 1 hereof, which must be in writing) will be sufficient if confirmed in writing. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

10. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

11. *Previous Contracts.* Effective as of the meter-reading time on August 25, 1985, the 1978 Contract is hereby terminated; provided, however, that all obligations under (a) Lease-Purchase and Amendatory Agreement, TV-30526A, Supplement 1 and TV-34961A, Supplement 4, dated August 3, 1977, and (b) Letter Agreement TV-48551A, Supplement 1, dated May 2, 1980, shall survive any expiration or termination of this contract or any extensions, renewals, or replacements thereof.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

TENNESSEE VALLEY AUTHORITY
By /s/Robert C. Steffy, Jr.
Manager of Power and Engineering (Supply and Use)

Attest:
/s/W. A. Sutton
Title: Assistant Secretary

OLIN CORPORATION
By /s/H. G. Nordyke, Jr.
Title: Purchasing Manager/Utilities and Fuels

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And REYNOLDS METALS COMPANY

THIS CONTRACT, made and entered into as of September 30, 1985, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation organized and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and REYNOLDS METALS COMPANY (hereinafter called "Company"), a corporation organized and existing under the laws of the State of Delaware;

WITNESSETH:

WHEREAS, the parties have heretofore entered into Power Contract TV-40228A, dated March 28, 1974, as amended (hereinafter called the "1974 Alloys Contract"), and Power Contract TV-40229A, dated March 28, 1974, as amended (hereinafter called the "1974 Reduction Contract"), under which firm power is made available by TVA to Company for the operation of Company's aluminum rolling mill and aluminum reduction plant (including the reclamation plant on River Road) at Listerhill, Alabama, respectively; and

WHEREAS, the 1974 Alloys Contract is scheduled to expire at the meter-reading time on September 30, 1985, and the 1974 Reduction Contract is scheduled to expire at the meter-reading time on March 31, 1986; and

WHEREAS, the parties have agreed to have power and energy made available through a single delivery point to these facilities, which occupy a common site owned by Company; and

WHEREAS, Company wishes also to use limited interruptible power in the operation of the aforesaid facilities; and

WHEREAS, the parties desire to replace the 1974 Alloys Contract and 1974 Reduction Contract with a new contract under which specified amounts of firm power and limited interruptible power (in accordance with TVA's standard arrangements for making limited interruptible power available) will be made available to Company;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.*This contract shall become effective as of the meter-reading time on September 30, 1985, and shall continue in effect through 2400 CDT on September 30, 1995, unless sooner terminated as hereinafter provided. At any time, upon 5 years' written notice, either party may terminate the provisions hereunder covering availability of limited interruptible power or may terminate this contract.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 2400 CST or CDT, whichever is currently effective, on the last day of that calendar month; provided, however, that TVA may change the meter-reading time upon 30 days notice to Company.

2. *Availability of Firm and Limited Interruptible Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder firm and limited interruptible power in the respective amounts specified for the periods indicated in the tabulation set forth below. Each such period shall begin and end as of the meter-reading time on the dates indicated. Said amounts of firm and limited interruptible power shall be the "firm contract demand" and the "limited interruptible contract demand," respectively, hereunder for the respective periods.

Period	*Amount of Power Available*	
	Firm	*Limited Interruptible*
September 30, 1985, through March 31, 1986 (hereinafter called "Period 1")	422,000 kW	0 kW
March 31, 1986 to the end of the term hereof (hereinafter called "Period 2")	45,000 kW	45,000 kW

Except as provided below with respect to limited interruptible power and as provided in section 4 of the attached Terms and Conditions with respect to interference with the availability of power, power in the amounts of the contract demands shall be made available continuously by TVA.

TVA shall have the right to reduce the power made available under this section to the firm contract demand at any time and from time to time; provided that (1) each period of reduction

in the availability of limited interruptible power shall be a continuous period of not more than 15 days, (2) no such reduction shall be made within 30 days following the end of the immediately preceding reduction in the availability of limited interruptible power, (3) the aggregate of all reductions during any 12-consecutive-month period shall not exceed 45 days, and (4) if TVA deems that there is adequate generating capacity available on the TVA system to meet all loads, TVA will exercise such right of reduction only if revised projections of operating costs for the then current fiscal year cause TVA to conclude, in its sole judgment, that the average incremental operating costs for the TVA system for that fiscal year will exceed the average cost estimates which were made by TVA prior to the beginning of that fiscal year for purposes of establishing charges for limited interruptible power. TVA shall give Company not less than 24 hours' prior notice of reduction in the availability of limited interruptible power. Such notice shall specify the time and date for beginning said reduction and TVA's estimate of the time and date for ending said reduction. However, if the estimated length of the reduction is less than 15 days, TVA shall have the right to continue the period of reduction by furnishing Company notice thereof at least 3 days prior to the estimated end of the reduction period furnished Company in the notice provided for under the preceding sentence; provided, however, that the reduction period as so continued will not exceed 15 days; and provided further, that TVA will continue such reduction beyond the initial estimate only once in a reduction period.

Any notice provided for in the preceding paragraph may be given orally but shall be confirmed in writing. The length of any notice period and the length of any reduction period provided for in the preceding paragraph may be revised at any time by agreement of the parties.

It is recognized by the parties that during the term of this contract Company may request TVA to amend the contract to increase the amounts of firm power or of firm and limited interruptible power available hereunder. In the event of such a request, TVA will agree to such an amendment; provided, however, that TVA will so do only (a) to the extent consistent with TVA's then applicable standard arrangements, and (b) subject to the same terms and conditions upon which TVA is then making such additional amounts of power available to other directly served industrial customers; and provided further, that if Company requests an increase in the amount of limited interruptible power, (a) the contract amendment will reflect the then applicable standard arrangements for making limited interruptible power available, and (b) the load factor of 0.7612 appearing twice in section 6 hereof will be modified to reflect the proportion of the total contract demand allocable to Company's aluminum reduction plant.

3. *Availability of Replacement Power.* During periods of reduction in the availability of limited interruptible power (including any continuation of such a reduction) as provided for in section 2 hereof, TVA will make available replacement power in an amount up to the limited interruptible contract demand for all or part of the reduction period (including any continuation of such a reduction period) as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with a mutually satisfactory scheduled amount being agreed upon at least 12 hours prior to the requested time of initial availability of such replacement power. When Company furnishes to TVA a proposed schedule for taking a specific amount of replacement power, TVA will determine the price for such power based upon TVA's estimated out-of-pocket cost of supplying such replacement power plus 20 percent. This price will be quoted to Company at least 16 hours prior to the requested time of initial availability of replacement power; provided that Company furnishes the proposed schedule to TVA in time for TVA to have 4 hours in which to make the necessary determinations. If Company elects to schedule such replacement power, it will be paid for by Company at such quoted price. It is understood that any price quoted by TVA is only applicable for the specific proposed schedule for which it is quoted, and TVA shall have no obligation to make available at the quoted price replacement power for any period of time or in any amount differing from that set out in such proposed schedule.

Any schedule of replacement power may be revised at any time by agreement of the parties; provided, however, that when replacement power is requested by Company under a revised schedule, TVA shall quote Company a price therefor based upon TVA's then estimated out-of-pocket cost for supplying such replacement power (under the revised schedule) plus 20 percent, and any such replacement power scheduled will be paid for at that revised price.

Any replacement power schedule agreed to by the parties, or any notice about replacement power, if oral, shall be confirmed in writing.

4. *Availability of Supplemental Power.* TVA will make available supplemental power in such amounts and at such times as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability being agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to ensure that TVA will be able to meet its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy.

Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

5. *Conditions of Delivery.*The point of delivery for power and energy made available hereunder shall be the points of interconnection of TVA's 161-kV facilities and Company's 161-kV facilities in the Reynolds 161-kV Substation. The power available hereunder shall be delivered at a nominal voltage of 161,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions.

The respective amounts of power and energy measured by TVA's meters installed on the low-tension side of the Reynolds Alloys 161-kV Substation shall be appropriately increased by taking into account transformation and transmission losses to reflect delivery at 161 kV at the Reynolds 161-kV Substation. The respective amounts of power and energy measured by TVA's meters installed on the 46-kV side of Company's stepdown substation at the reclamation plant on River Road (hereinafter called the "Reclamation Plant 46-kV Substation") shall be appropriately increased by taking into account transformation losses to reflect delivery at 161 kV, and in calculating the amount of such increase, the power and energy shall be deemed to have been delivered through a three-phase, 161/46-kV transformer with a self-cooled rating of 1,500 kVA and with applicable loss constants of:

Full load kW copper loss = 12 kW;
Full load kVAR copper loss = 180 kVAR;
kW core loss = 6 kW;
kVAR core loss = 22.5 kVAR.

The metered amounts of power and energy at the Reynolds Alloys 161-kV Substation and at the Reclamation Plant 46-kV Substation, as so adjusted, shall be combined on a simultaneous basis with the amounts of power and energy measured by TVA's meters at the Reynolds 161-kV Substation. The determination of the total demand, the total metered energy, and the energy, if any, taken in a separate billing period as provided for in section 4 of the Terms and Conditions, all as set out below, shall reflect the combined amounts provided for in this paragraph.

Company hereby grants to TVA such rights of access in, on, over, and across Company's property as TVA deems necessary or desirable to permit the installation, maintenance, operation, alteration, repair, and replacement of (1) the 161-kV transmission line leading into, and TVA's facilities located in, the Reynolds Alloys 161-kV Substation and (2) TVA's transmission lines connected to, and TVA's facilities located in the Reynolds 161-kV Substation. All facilities furnished and installed by TVA on Company's property in the Reynolds 161-kV Substation shall be deemed to be personal property not attached to the realty and shall, except as expressly provided otherwise by Lease-Purchase and Amendatory Agreement TV-40229A, Supplement 4, dated May 19, 1978, (hereinafter called the "1978 Lease-Purchase Agreement"), be and remain the property of TVA.

At TVA's request from time to time during the term of this contract Company shall transfer and convey to the United States or cause to be transferred and conveyed to the United States such easements in, over, and across Company's property as may be required by TVA for transmission facilities serving other customers of TVA from TVA's Reynolds 161-kV Substation, said easements to cover property so located as not to interfere with Company's use, occupancy, or maintenance of Company's plant at precise locations to be agreed upon by the parties. All the foregoing easements shall be conveyed without cost to the United States of America, and shall be permanent except that if the easements, or any of them, are abandoned by the United States of America, or their successors or assigns, all right, title, and interest of the United States of America in the abandoned easement or easements shall cease and terminate and shall revert to Company or Company's successors and assigns.

6. *Determination of Billing Amounts.*A month shall be the billing period, except that any month within which there is a change in the availability of limited interruptible power under section 2 hereof or a change in the availability of or price of replacement power or supplemental power under sections 3 and 4, respectively, hereof will be divided for billing purposes. Each

such billing period in that month shall be comprised of the intervals in which the same amounts of each type of power are available at the same price, whether or not they are consecutive intervals. It is recognized that where appropriate, as provided for in section 4 of the Terms and Conditions, a month will be divided for billing purposes as described therein and, except as may be provided otherwise in this section 6 with respect to such periods, billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm, limited interruptible (or replacement), and supplemental power available hereunder (during periods when firm, limited interruptible (or replacement), and supplemental power are available), or (b) the aggregate amount of firm and limited interruptible (or replacement) power available hereunder (during periods when only firm and limited interruptible (or replacement) power are available), or (c) the aggregate amount of firm and supplemental power available hereunder (during periods when only firm and supplemental power are available), or (d) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make replacement power available under section 3 hereof, the billing demand for replacement power shall be the replacement power scheduled in accordance with said section 3, and such replacement power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the period scheduled for purposes of determining the amounts of replacement energy deemed to have been taken by Company hereunder.

For any billing period in which TVA has agreed to make supplemental power available under section 4 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 4, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

During Period 1 only, the following provisions shall apply:

The total demand for each billing period less the sum of any excess demand and any billing demand for supplemental power shall be the firm demand, and the highest firm demand in a month shall be the billing demand for firm power for the month; provided, however, that the billing demand for firm power shall in no case be less than the amount calculated under the exception language set out in the *Determination of Demand* section of Schedule GP-I (as modified, changed, replaced, or adjusted by TVA from time to time). The total metered energy for each month, less any supplemental energy deemed to have been taken by Company hereunder, shall be the firm energy.

During Period 2 only, the following provisions shall apply:

The total demand for each billing period less the sum of any excess demand, any billing demand for replacement power, and any billing demand for supplemental power shall be the "total normal demand." The total metered energy for each month, less (1) the sum of any replacement energy and supplemental energy deemed to have been taken by Company hereunder (excluding any replacement energy and supplemental energy deemed to have been taken during a separate billing period as provided for in section 4 of the Terms and Conditions) and (2) the total energy used during any such separate billing period, shall be the "total normal energy."

Of the total normal demand taken in any billing period, the demand for firm power shall be deemed to be the first power taken, up to and including the amount of firm power available, and the demand for limited interruptible power shall be deemed to be the total normal demand less the demand for firm power. The highest demand for firm power and the highest demand for limited interruptible power as so determined in a month shall be the respective billing demands for those types of power for the month, except that the billing demand for either for any separate billing period in which the availability of any type of power was interrupted or curtailed pursuant to section 4 of the Terms and Conditions shall be the highest demand for such power as so determined for that separate billing period; provided, however, that the billing demand for firm power shall in no case be less than the amount calculated under the exception language set out in the *Determination of Demand* section of Schedule GP-I (as modified, changed, replaced, or adjusted by TVA from time to time); and provided further, that in making calculations under said exception language, the words "the higher of the

currently effective contract demand or the highest billing demand established during the preceding 12 months" appearing therein shall be replaced by "the sum of (a) the firm contract demand and (b) the highest excess demand established during the preceding 12 months."

Of the total normal energy used in the month, the firm energy shall be deemed to be the lesser of the total normal energy or the product obtained by multiplying the firm contract demand times the total hours during the month in which firm power is available (excluding any hours included in a separate billing period as provided for in section 4 of the Terms and Conditions) times a load factor of 0.7612. The limited interruptible energy shall be deemed to be the total normal energy less the firm energy.

Notwithstanding any provisions of the preceding paragraphs, for any separate billing period as provided for in the third paragraph of section 4 of the Terms and Conditions, the following shall apply (provided that Company notifies TVA within 24 hours following Company's initial inability to operate the facilities for which power is available under this contract):

(1) no supplemental power shall be deemed to have been scheduled during such separate billing period, (2) the billing demand for replacement power for such separate billing period (if any was scheduled) shall be deemed to be the amount, if any, by which the total demand for said separate billing period exceeds the contract demand for firm power, and (3) the replacement energy deemed to have been taken during such separate billing period shall be the product obtained by multiplying the billing demand for replacement power as determined in accordance with the provisions of this paragraph times the number of hours in such separate billing period times a load factor of 92 percent.

The total energy used in any separate billing period as provided for in section 4 of the Terms and Conditions shall be decreased by the sum of any replacement energy and supplemental energy deemed to have been taken during said separate billing period, and the firm energy shall be deemed to be the lesser of the total energy used during said separate billing period (as so decreased) or the product obtained by multiplying the firm contract demand times the total hours during said separate billing period in which firm power is available times a load factor of 0.7612. The limited interruptible energy shall be deemed to be the total energy used during said separate billing period (as so decreased) less the firm energy.

7. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, demand charges for limited interruptible power (applicable during Period 2), charges for replacement power (applicable during Period 2), charges for supplemental power, demand charges for any excess takings, charges for firm energy used, charges for limited interruptible energy used (applicable during Period 2), as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GP-I, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule is attached hereto and made a part hereof; provided that

(a) the base charges applicable to the demand for limited interruptible power and the limited interruptible energy used shall be those set out in Exhibit A, which is attached hereto and made a part hereof, as said charges may be increased or decreased as provided in said Exhibit A; and provided further, that demand charges for limited interruptible power shall be prorated for periods during which the availability of limited interruptible power has been reduced by TVA in accord with section 2;

(b) in calculating the minimum bill as provided for in the second paragraph of the section of said rate schedule headed *"Minimum Bill,"* the base demand charge, as adjusted, referred to in item 2, shall be applied to the sum of the firm contract demand and the highest excess demand, whether under this contract or the 1974 Reduction Contract, established during the preceding 12 months; and provided further, that the minimum bill may be modified pursuant to section 4 of the Terms and Conditions;

(c) the sections of said rate schedule headed *"Seasonal Service"* and *"Contract Requirement,"* and the last sentence thereof relating to rules and regulations shall be of no force and effect;

(d) for purposes of applying the charges set out in the section headed *"Base Charges"* of said rate schedule, the words "billing demand" shall be deemed to refer to the sum of the billing demand for excess power and the billing demand for firm power; and provided further, it is understood that the additional amount which, under said section, is to be applied as part of the demand charge to each kW "by which customer's billing

demand exceeds its contract demand" shall, for purposes of this contract, be an additional amount applied to each kW of Company's billing demand for excess power; and

(e) the term "Distributor" in said rate schedule shall be deemed to refer to TVA, and the words "contract demand" in said rate schedule, except as otherwise provided above, shall be deemed to be the total of the firm and limited interruptible power available.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract, the Exhibit, or the Terms and Conditions, the body of this contract, the Exhibit, or the Terms and Conditions, as the case may be, shall control.

8. *Use of Facilities.*(a) In consideration for Company's provision of capacity in the Leased Facilities as provided in (c) below, TVA will utilize its facilities to furnish for Company's operation of the reclamation plant on River Road up to 2,000 kW of the power made available to Company under section 2 hereof. Such power shall be furnished at a nominal voltage of 46,000 volts at the point at which TVA's Wilson Hydro-Union Carbide No. 1 46-kV Line connects to Company's Reclamation Plant 46-kV Substation.

(b) As soon after execution of this contract as practicable, TVA will (except as provided otherwise in the following paragraph with respect to certain components) purchase, install, operate, and maintain a complete 46-kV metering installation in Company's Reclamation Plant 46-kV Substation (hereinafter called the "Metering Installation") suitable in TVA's judgment for metering Company's total real and reactive power and energy takings at said substation. Upon completion of the Metering Installation, Company shall reimburse TVA for its actual costs, including applicable overheads, of purchasing and installing the Metering Installation. (This includes costs incurred as provided in the following paragraph.) This payment shall be made promptly upon receipt of a statement from TVA and is estimated for convenience only to be $22,350, but such estimate shall not be binding upon the parties, and Company shall be obligated to make reimbursement based on TVA's total cost actually incurred.

TVA will purchase and Company will install the current transformers and instrument transformer control cables to be used in association with the Metering Installation. The potential transformers presently located in Company's Reclamation Plant 46-kV Substation will be furnished by Company to TVA, and TVA will install them in the Metering Installation. Company shall provide TVA space for its meters and shall install such conduit and meter-mounting facilities in the Metering Installation as TVA deems necessary.

Company hereby grants to TVA the right to install, maintain, operate, alter, repair, and replace the Metering Installation on the 46-kV side of Company's Reclamation Plant 46-kV Substation, and TVA shall have free access thereto at all times.

(c) In consideration for TVA utilizing its facilities to furnish power for Company's reclamation plant as provided for in (a) above, Company agrees to TVA's use of the Leased Facilities as described in section 1 of the 1978 Lease-Purchase Agreement in the Reynolds 161-kV Substation for the supply of power from TVA's 161-kV system to the facility formerly operated by the Ford Motor Company (hereinafter called "Ford Facility") for the account of the City of Sheffield, Alabama (hereinafter called "Sheffield"). TVA's right to so use the Leased Facilities shall continue unaffected by Company's purchase thereof pursuant to section 8 of the 1978 Lease-Purchase Agreement. The magnitude of said power supply will not exceed 20 MVA, or approximately 3 percent of the total 13.8-kV transformer capacity in said 161-kV substation. Company shall continue to operate the Leased Facilities and provide adequate maintenance to ensure service of commercial standard to the TVA facilities supplying the Ford Facility for Sheffield's account; nevertheless, in the event of a service failure TVA shall have the right, upon telephone notification to Company's operating representatives, to perform such maintenance, repair, restoration, or replacements of the Leased Facilities as TVA deems proper under the circumstances to restore service to the Ford Facility. Any such notification will be confirmed in writing. In the event that TVA performs any such work, Company shall reimburse TVA promptly upon receipt of an invoice for TVA's total actual installed costs, including material costs and applicable overheads, of performing such work on the Leased Facilities.

If any replacements, in accordance with the preceding paragraph, are made during the term of the lease (as provided for in the 1978 Lease-Purchase Agreement), said replacements shall be and remain the property of TVA and shall become a part of the Leased Facilities, except that such replacements shall not be considered in calculating the annual rental on or the purchase price of the Leased Facilities in accordance with sections 1 and 8, respectively, of the 1978 Lease-Purchase Agreement. If any such replacements are made after Company's purchase of the Leased Facilities, said replacements, after payment to TVA by Company in accordance with the preceding paragraph, shall be and remain the property of Company.

Upon the termination or expiration of this contract, or of any extension, replacement, or renewal thereof, whichever first occurs, unless otherwise agreed by the parties, TVA will, as

soon thereafter as practicable, disconnect, at its expense, the 13-kV feeder at the Reynolds 161-kV Substation that supplies power to Sheffield's delivery point for service to the Ford Facility and will promptly thereafter remove any of the facilities excluded from the Leased Facilities under section 1(2) of the 1978 Lease-Purchase Agreement.

9. *Facilities Rental.*As consideration for TVA's providing, operating, and maintaining at Company's request and for Company's use and benefit a 0.57-mile, 161-kV transmission line between the Reynolds 161-kV Substation and the Reynolds Alloys 161-kV Substation (hereinafter called the "Transmission Line"), Company shall pay to TVA in addition to all other charges hereunder a monthly rental charge equal to 1.25 percent per month of the actual total installed cost, including applicable overheads, of the Transmission Line. Said rental charge is currently $1,195.39 per month.

The parties hereby recognize that, in the future, circumstances may require changes in the Transmission Line, including additions and replacements. When in TVA's opinion changes in the Transmission Line become necessary, such changes will be made by TVA after consultation with Company, and Company shall, beginning on the date the Transmission Line, as changed, is ready for service, pay to TVA a monthly rental of 1.25 percent of the total installed cost, including applicable overheads, of the Transmission Line as changed. In addition, Company shall pay to TVA, promptly upon receipt of a statement therefor, the cost, including applicable overheads, of removing any replaced Transmission Line facilities and the undepreciated portion of the cost of installing such replaced Transmission Line facilities (the latter cost shall be deemed to be the total installed cost less the original material cost of reusable materials and equipment); provided, however, that Company shall not be obligated to pay such costs of removal and installation if such changes in the Transmission Line facilities are caused by equipment failure. Title to material and equipment determined to be nonreusable shall pass to Company without further action by the parties.

The parties hereby further recognize that TVA's obligations with respect to the provision, installation, operation, and maintenance of the Transmission Line are undertaken upon solicitation by Company for use in connection with service to Company's aluminum rolling mill and for Company's benefit. Accordingly, Company releases the United States of America, TVA, their agents and employees from and shall indemnify and save harmless the United States of America, TVA, their agents and employees from any and all claims, demands, or causes of action for personal injuries, property damage, or loss of life or property sustained by Company, its agents or employees, or third parties arising out of or in any way connected with the use, operation, maintenance, repair, defect, or failure of the Transmission Line, even though the personal injuries, property damage or loss of life or property is caused, occasioned, or contributed to by the negligence, sole or concurrent, of the United States of America, TVA, their agents or employees.

Notwithstanding anything herein which might be construed to the contrary, the Transmission Line referred to in the first paragraph of this section may be used in serving loads other than Company's load in any manner that TVA deems necessary or desirable. In the event that the Transmission Line is used for serving loads (exclusive of providing emergency and maintenance power) other than Company's load, the monthly rental charge shall be equitably adjusted to reflect such service.

10. *Electrical Fluctuations.*The power and energy taken hereunder shall not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. Company shall provide at its expense suitable apparatus which will reasonably limit such fluctuations. In the event that unreasonable fluctuations or disturbances, including without limitation harmonic currents resulting in actionable interference with communication systems or in harmonic resonance of now existing facilities, are caused by Company's facilites, TVA shall immediately notify the plant manager of Company's Alloys Plant of the circumstances, and TVA shall then have the right to discontinue the delivery of power and energy under this contract until the condition causing such fluctuations or disturbances is corrected by Company. TVA shall give Company written notice of these circumstances in addition to the above-mentioned notice, but the requirement of providing such written notice shall not limit or delay TVA's right to discontinue service to Company. Despite such discontinuance of service, Company shall be obligated to pay the amounts due for power and energy under this contract, including the minimum bills for such power, and for applicable rental charges as provided herein.

11. *Notices.* Any notice or demand required by this contract shall be deemed properly given, if mailed, postage prepaid, to the Manager of Power and Engineering (Supply and Use), Tennessee Valley Authority, 6N36A Missionary Ridge Place, Chattanooga, Tennessee 37402-2801, on behalf of TVA, or to the Plant Manager, Reynolds Metals Company, Post Office Box 910, Sheffield, Alabama 35660, on behalf of Company, except that oral notices between the authorized operating representatives of the parties (other than notice of termination

pursuant to paragraph 1 of section 1 hereof, which must be in writing) will be sufficient if confirmed in writing. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

Company has requested that, for Company's convenience, TVA forward copies of written notices given to Company under the preceding paragraph to Company's Corporate Secretary and Company's Manager of Energy Resources, P.O. Box 27003, Richmond, Virginia 23261, and TVA has agreed to do so; provided, however, that any failure, omission, or mistake on the part of TVA with respect to forwarding any such copies shall not affect in any way the validity of any notice given as provided under the preceding paragraph.

12. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

13. *Previous Contract.* The following agreements between the parties are hereby ratified and confirmed as the continuing obligations of the parties, and shall remain in full force and effect:

Letter Agreement TV-18597A, Supplement 4, dated September 30, 1957;
Agreement TV-22084A, dated July 14, 1960;
Letter Agreement TV-36186A, dated December 16, 1971;
Letter Agreement TV-54081A, dated May 7, 1980;
Letter Agreement TV-54835A, dated July 10, 1980;
Letter Agreement TV-40228A, Supplement 5, dated June 11, 1985;

provided, however, that all references in said Letter Agreements TV-54081A, TV-54835A, and TV-40228A, Supplement 5, to the 1974 Alloys Contract or to the 1974 Reduction Contract shall be deemed to refer to this contract; and provided further, that the penultimate sentence of section 2 of said Letter Agreement TV-54081A shall be deleted, and the following sentence substituted therefor:

> The rental payments shall be due and payable each month on the due date for the monthly power invoice for power and energy under Power Contract TV-68178A, dated September 30, 1985, between the parties, or any extension, renewal, or replacement thereof.

Effective as of the meter-reading time on September 30, 1985, the 1974 Reduction Contract is hereby terminated; provided, however, that the 1978 Lease-Purchase Agreement (except for the provisions of sections 3 and 4 thereof, which are hereby terminated), Letter Agreement TV-40229A, Supplement 6, dated November 15, 1979, and Agreement TV-40229A, Supplement 9, dated June 19, 1980, shall continue in full force and effect; and provided further, that references in the body of the 1978 Lease-Purchase Agreement to the 1974 Reduction Contract shall be deemed to refer to this contract.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

TENNESSEE VALLEY AUTHORITY
By /s/Robert C. Steffy, Jr.
Manager of Power and Engineering
(Supply and Use)

Attest: (Seal)
By /s/Jane C. Higgins
Title: Assistant Secretary

REYNOLDS METALS COMPANY
By /s/Harry V. Helton
Title: Vice President

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And SKW ALLOYS, INC.

THIS CONTRACT, made and entered into as of January 17, 1985, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and SKW ALLOYS, INC. (hereinafter called "Company"), a corporation organized and existing under the laws of the State of Delaware;

WITNESSETH:

WHEREAS, AIRCO, INC., and TVA entered into a power contract dated December 15, 1975, as amended (hereinafter called the "1975 Contract"); and

WHEREAS, TVA consented to assignment of the 1975 Contract to Company and Company's parent corporation, SKW Trostberg AG, under an agreement dated January 14, 1980; and

WHEREAS, firm power and 3-percent interruptible power are made available by TVA to Company under the 1975 Contract for the operation of Company's ferroalloy plant near Calvert City, Kentucky; and

WHEREAS, the 1975 Contract is scheduled to expire at the meter-reading time on December 31, 1985; and

WHEREAS, the parties desire to replace the 1975 Contract with a new contract under which specified amounts of firm power, 5-percent interruptible power, and limited interruptible power (in accordance with TVA's standard arrangements for making limited interruptible power available) will be made available to Company;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennesse Valley Authority Act of 1933, as amended, the parties mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of the date first above written, and shall continue in effect through the meter-reading time for the month of January 1995, unless sooner terminated as hereinafter provided; provided, however, that all provisions hereof relative to delivery of and payment for power and energy shall become effective as of 2400 CST on December 31, 1985.

At any time, upon five years' written notice, either party may terminate the provisions hereunder covering availability of the total amount of firm and limited interruptible power, or of 5-percent interruptible and limited interruptible power, or of limited interruptible power, or may terminate this contract. Upon Company's termination of the contract, or upon Company's termination of the provisions hereunder covering availability of 5-percent interruptible power, Company shall pay to TVA a termination charge equal in amount to TVA's average expense (as determined by TVA) in cents per kWh of purchased power and interchange (billed economy and nonreplacement energy) received for the previous 12 months multiplied by the amount, if any, of kilowatthours by which 39,816,000 kWh exceeds the sum (in kilowatthours) of (a) 5.0 percent of the total 5-percent interruptible energy availability for the terminated portion of the contract term and (b) the 5-percent interruption rights used (the total hours interrupted multiplied by the 5-percent interruptible contract demand) by TVA up to the date of termination. In the event that TVA's said average expense of purchased power and interchange ceases, in TVA's judgment, to be a valid basis for determining the value of its 5-percent interruption rights, TVA may substitute therefor in the foregoing formula and computations, TVA's average expense (as determined by TVA) of operating its combustion turbines for the previous 12 months.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 2400 CST or CDT, whichever is currently effective, on the last day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to Company.

2. *Availability of Firm, 5-Percent Interruptible, and Limited Interruptible Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder 20,000 kW of firm power, 10,000 kW of 5-percent interruptible power, and 30,000 kW of limited interruptible power from December 31, 1985, through the end of the contract term. Said amounts of firm, 5-percent interruptible, and limited interruptible power shall be the "firm contract demand," the "5-percent interruptible contract demand," and the "limited interruptible contract demand," respectively, hereunder.

Except as provided below with respect to 5-percent interruptible and limited interruptible power and as provided in section 4 of the attached Terms and Conditions with respect to interference with the availability of power, power in the amounts of the contract demands shall be made available continuously by TVA.

The following provisions shall apply to 5-percent interruptible power:

TVA shall have the right to reduce the power made available under this section to the total of the firm contract demand and the limited interruptible contract demand (or to the firm contract demand if TVA has reduced the availability of limited interruptible power) at any time and from time to time; provided that such reductions in the availability of 5-percent interruptible power shall not exceed 2 in any calendar day nor aggregate more than 12 hours in any calendar day, 60 hours in any calendar week, 800 hours in any 12 consecutive months, or 5 percent of the time (3,981.6 hours) during the term of this contract.

Whenever practicable, TVA will give Company preliminary notice of expected reductions on the day before such reductions of availability of 5-percent interruptible power are likely to occur. TVA will give Company a final notice of reduction, and Company shall reduce its load no later than 5 minutes after such final notice has been given. For the purposes of determining the billing amounts and the use of TVA's rights of reduction hereunder, each period of reduction shall commence 5 minutes after such final notice is given and shall end at the time notice is given of the restoration of the availability of 5-percent interruptible power. Such notices may be given orally but shall be confirmed in writing.

The following provisions shall apply to limited interruptible power:

TVA shall have the right to reduce the power made available under this section to the total of the firm contract demand and the 5-percent interruptible contract demand (or to the firm contract demand if TVA has reduced the availability of 5-percent interruptible power) at any time and from time to time; provided that (1) each period of reduction in the availability of limited interruptible power shall be a continuous period of not more than 90 days, (2) no such reduction shall be made within 275 days following the end of the immediately preceding reduction in the availability of limited interruptible power, and (3) if TVA deems that there is adequate generating capacity available on the TVA system to meet all loads, TVA will exercise such right of reduction only if revised projections of operating costs for the then current fiscal year cause TVA to conclude, in its sole judgment, that the average incremental operating costs for the TVA system for that fiscal year will exceed the average cost estimates which were made by TVA prior to the beginning of that fiscal year for purposes of establishing charges for limited interruptible power. TVA shall give Company not less than four days' prior notice of reduction in the availability of limited interruptible power. Such notice shall specify the time and date for beginning said reduction and TVA's estimate of the time and date for ending said reduction. However, if the estimated length of the reduction is less than 90 days, TVA shall have the right to continue the period of reduction by furnishing Company notice thereof at least 10 days prior to the estimated end of the reduction period furnished Company in the notice provided for under the preceding sentence; provided, however, that the reduction period as so continued will not exceed 90 days; and provided further, that TVA will continue such reduction beyond the initial estimate only once in a reduction period.

Any notice provided for in the preceding paragraph may be given orally but shall be confirmed in writing. The length of any notice period and the length of any reduction period provided for in the preceding paragraph may be revised at any time by agreement of the parties.

3. *Availability of Replacement Power.* During periods of reduction in the availability of limited interruptible power (including any continuation of such a reduction) as provided for in section 2 hereof, TVA will make available replacement power in an amount up to the limited interruptible contract demand for all or part of the reduction period (including any continuation of such a reduction period) as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with a mutually satisfactory scheduled amount being agreed upon at least 24 hours prior to the requested time of initial availability of such replacement power. When Company furnishes to TVA a proposed schedule for taking a specific amount of replacement power, TVA will determine the price for such power based upon TVA's estimated out-of-pocket cost of supplying such replacement power plus 20 percent. This price will be quoted to Company at least 72 hours prior to the requested time of initial availability of replacement power; provided that Company furnishes the proposed schedule to TVA in time for TVA to have 24 hours (not including any hours on Saturdays, Sundays, or days observed by TVA as holidays) in which to make the necessary determinations. If Company elects to schedule such replacement power, it will be paid for by Company at such quoted price. It is understood that any price quoted by TVA is only applicable for the specific proposed schedule for which it is quoted, and TVA shall have no obligation to make available at the quoted price replacement power for any period of time or in any amount differing from that set out in such proposed schedule.

Any schedule of replacement power may be revised at any time by agreement of the parties; provided, however, that when replacement power is requested by Company under a revised schedule, TVA shall quote Company a price therefor based upon TVA's then estimated out-of-pocket cost for supplying such replacement power (under the revised schedule) plus 20 percent, and any such replacement power scheduled will be paid for at that revised price.

Any replacement power schedule agreed to by the parties, or any notice about replacement power, if oral, shall be confirmed in writing.

4. *Availability of Supplemental Power.* TVA will make available supplemental power in such amounts and at such times as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability being agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to ensure that TVA will be able to meet its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy. Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

5. *Conditions of Delivery.* The point of delivery for power and energy made available hereunder shall be the point of interconnection of TVA's 161-kV facilities and Company's 161-kV facilities in the Calvert 161-kV Substation. The power available hereunder shall be delivered at a nominal voltage of 161,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions.

The respective amounts of power and energy, measured by TVA's meters used in determining deliveries to Company and installed on the low-tension side of the Calvert 161-kV Substation, shall be appropriately adjusted by taking into account transformer losses to reflect delivery at the 161-kV delivery point specified herein. The total demand, the total metered energy, and the energy, if any, taken in a separate billing period as provided for in section 4 of the Terms and Conditions, all as set out below, shall reflect the adjustment provided for in this paragraph.

6. *Determination of Billing Amounts.* A month shall be the billing period, except that any month within which there is a change in the availability of 5-percent interruptible power or limited interruptible power under section 2 hereof or a change in the availability of or price of replacement power or supplemental power under sections 3 or 4, respectively, hereof will be divided for billing purposes. Each such billing period in that month shall be comprised of the intervals in which the same amounts of each type of power are available at the same price, whether or not they are consecutive intervals. It is recognized that where appropriate, as provided for in section 4 of the Terms and Conditions, a month will be divided for billing purposes as described therein and, except as may be provided otherwise in this section 6 with respect to such periods, billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm, 5-percent interruptible, limited interruptible (or replacement), and supplemental power available hereunder (during periods when firm, 5-percent interruptible, limited interruptible (or replacement), and supplemental power are available), or (b) the aggregate amount of firm, 5-percent interruptible, and supplemental power available hereunder (during periods when only firm, 5-percent interruptible, and supplemental power are available), or (c) the aggregate amount of firm, 5-percent interruptible, and limited interruptible (or replacement) power available hereunder (during periods when only firm, 5-percent interruptible, and limited interruptible (or replacement) power are available), or (d) the aggregate amount of firm, limited interruptible (or replacement), and supplemental power available hereunder (during periods when only firm, limited interruptible (or replacement), and supplemental power are available), or (e) the aggregate amount of firm and limited interruptible (or replacement) power available hereunder (during periods when only firm and limited interruptible (or replacement) power are available), or (f)

the aggregate amount of firm and 5-percent interruptible power available hereunder (during periods when only firm and 5-percent interruptible power are available), or (g) the aggregate amount of firm and supplemental power available hereunder (during periods when only firm and supplemental power are available), or (h) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make replacement power available under section 3 hereof, the billing demand for replacement power shall be the replacement power scheduled in accordance with said section 3, and such replacement power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the period scheduled for purposes of determining the amounts of replacement energy deemed to have been taken by Company hereunder.

For any billing period in which TVA has agreed to make supplemental power available under section 4 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 4, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

The total demand for each billing period less the sum of any excess demand, any billing demand for replacement power, and any billing demand for supplemental power shall be the "total normal demand." The total metered energy for each month, less (1) the sum of any replacement energy and supplemental energy deemed to have been taken by Company hereunder (excluding any replacement energy and supplemental energy deemed to have been taken during a separate billing period as provided for in section 4 of the Terms and Conditions) and (2) the total energy used during any such separate billing period, shall be the "total normal energy."

Of the total normal demand taken in any billing period, the demand for firm power shall be deemed to be the first power taken, up to and including the amount of firm power available. For any billing period in which 5-percent interruptible power is available, the demand for 5-percent interruptible power shall be deemed to be the lesser of (1) the total normal demand less the demand for firm power, or (2) the 5-percent interruptible contract demand. The demand for limited interruptible power shall be deemed to be the total normal demand less the sum of the demand for firm power and any demand for 5-percent interruptible power. The highest demand for firm power, the highest demand for 5-percent interruptible power, and the highest demand for limited interruptible power as so determined in a month shall be the respective billing demands for those types of power for the month, except that the billing demand for each for any separate billing period in which the availability of any type of power was interrupted or curtailed pursuant to section 4 of the Terms and Conditions shall be the highest demand for such power as so determined for that separate billing period; provided, however, that the sum of the billing demands for firm and 5-percent interruptible power shall in no case be less than the amount calculated under the exception language set out in the *Determination of Demand* section of Schedule GP-I (as modified, changed, replaced, or adjusted by TVA from time to time); and provided further, that in making calculations under said exception language, the words "the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months" appearing therein shall be replaced by "the sum of (a) the firm contract demand, (b) the 5-percent interruptible contract demand, and (c) the highest excess demand established during the preceding 12 months"; and provided further, that of the sum of the billing demands for firm and 5-percent interruptible power (determined in accordance with the preceding two provisos), the firm billing demand shall be the amount of firm power available, unless said sum of the billing demands is a lesser amount than 20,000 kW, in which case the firm billing demand shall be said lesser amount.

Of the total normal energy used in the month, the firm energy shall be deemed to be the lesser of (1) the total normal energy or (2) the product obtained by multiplying the firm contract demand times the total hours during the month in which firm power is available (excluding any hours included in a separate billing period as provided for in section 4 of the Terms and Conditions) times a load factor of 0.8603. The 5-percent interruptible energy shall be deemed to be the lesser of (1) the total normal energy less the firm energy or (2) the product obtained by multiplying the 5-percent interruptible contract demand times the total hours during the month in which 5-percent interruptible power is available (excluding any hours included in a separate billing period as provided for in section 4 of the Terms and Conditions) times a load factor of 0.8603. The limited interruptible energy shall be deemed to be the total normal energy less the sum of the firm and 5-percent interruptible energy.

Notwithstanding any provisions of the preceding paragraphs, for any separate billing period as provided for in the third paragraph of section 4 of the Terms and Conditions, the following shall apply (provided that Company notifies TVA within 24 hours following Company's initial inability to operate the facilities for which power is available under this contract):

(1) no supplemental power shall be deemed to have been scheduled during such separate billing period, (2) the billing demand for replacement power for such separate billing period (if any was scheduled) shall be deemed to be the amount, if any, by which the total demand for said separate billing period exceeds the sum of the contract demand for firm power and the contract demand for 5-percent interruptible power, and (3) the replacement energy deemed to have been taken during such separate billing period shall be the product obtained by multiplying the billing demand for replacement power as determined in accordance with the provisions of this paragraph times the number of hours in such separate billing period times a load factor of 92 percent.

The total energy used in any separate billing period as provided for in section 4 of the Terms and Conditions shall be decreased by the sum of any replacement energy and supplemental energy deemed to have been taken during said separate billing period, and the firm energy shall be deemed to be the lesser of (1) the total energy used during said separate billing period (as so decreased) or (2) the product obtained by multiplying the firm contract demand times the total hours during said separate billing period in which firm power is available times a load factor of 0.8603. The 5-percent interruptible energy shall be deemed to be the lesser of (1) the total energy used during said separate billing period (as so decreased) less the firm energy or (2) the product obtained by multiplying the 5-percent interruptible contract demand times the total hours during said separate billing period in which 5-percent interruptible power is available times a load factor of 0.8603. The limited interruptible energy shall be deemed to be the total energy used during said separate billing period (as so decreased) less the sum of the firm and 5-percent interruptible energy.

7. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, demand charges for 5-percent interruptible power, demand charges for limited interruptible power, charges for replacement power, charges for supplemental power, demand charges for any excess takings, charges for firm energy used, charges for 5-percent interruptible energy used, charges for limited interruptible energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GP-I, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule is attached hereto and made a part hereof; provided that

(a) the base charges applicable to the demand for limited interruptible power and the limited interruptible energy used shall be those set out in Exhibit A, which is attached hereto and made a part hereof, as said charges may be increased or decreased as provided in said Exhibit A; and provided further, that demand charges for limited interruptible power shall be prorated for periods during which the availability of limited interruptible power has been reduced by TVA in accord with section 2 hereof;

(b) in recognition of TVA's right to reduce the availability of 5-percent interruptible power under section 2 hereof, Company's monthly power bill as determined hereunder shall be reduced by the amount of the credit determined in accordance with Exhibit B, which is attached hereto and made a part hereof. It is recognized and agreed: (1) that all references in Exhibit B to "interruptible" not expressly designated "5-percent interruptible" shall be deemed to be so designated; (2) that all calculations and definitions under Exhibit B shall exclude any excess and standby power demands, any limited interruptible power demands and energy, and any supplemental or replacement power demands and associated energy that Company is deemed to have taken in the month under this contract; (3) that the words "firm billing demand" and "interruptible billing demand" appearing in Exhibit B shall be deemed to refer to the firm billing demand and the 5-percent interruptible billing demand as determined in accordance with the provisions of the sixth paragraph of section 6 hereof, but without reference to the provisions of the provisos contained in said paragraph; (4) that the words "customer's contract term" appearing in the last paragraph of Exhibit B shall be deemed to be that portion of the customer's contract term in which 5-percent interruptible power is available; and (5) that any credits referred to herein and provided for under Exhibit B shall not be construed to reduce the minimum charges applicable under the section of said rate schedule headed "*Minimum Bill;*"

(c) in calculating the minimum bill as provided for in the second paragraph of the section of said rate schedule headed "*Minimum Bill,*" the base demand charge, as adjusted,

referred to in item 2, shall be applied to the sum of (a) the firm contract demand, (b) the 5-percent interruptible contract demand, and (c) the highest excess demand established during the preceding 12 months; and provided further, that the minimum bill may be modified pursuant to section 4 of the Terms and Conditions;

(d) the sections of said rate schedule headed "*Availability*," "*Seasonal Service*," and "*Contract Requirement*," and the last sentence thereof relating to rules and regulations shall be of no force and effect;

(e) for purposes of applying the charges set out in the section headed "*Base Charges*" of said rate schedule, the words "billing demand" shall be deemed to refer to the sum of the billing demand for excess power, the billing demand for firm power, and the billing demand for 5-percent interruptible power; and provided further, it is understood that the additional amount which, under said section, is to be applied as part of the demand charge to each kW "by which customer's billing demand exceeds its contract demand" shall, for purposes of this contract, be an additional amount applied to each kW of Company's billing demand for excess power; and

(f) the term "Distributor" in said rate schedule shall be deemed to refer to TVA, and the words "contract demand" in said rate schedule, except as otherwise provided above, shall be deemed to be the total of the firm, 5-percent interruptible, and limited interruptible power available.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract, the Exhibits, or the Terms and Conditions, the body of this contract, the Exhibits, or the Terms and Conditions, as the case may be, shall control.

8. *Electrical Fluctuations.* The power and energy taken hereunder shall not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. Company shall provide at its expense suitable apparatus which will reasonably limit such fluctuations. In the event that unreasonable fluctuations or disturbances, including without limitation harmonic currents resulting in actionable interference with communication systems or in harmonic resonance of now existing facilities, are caused by Company's facilities, TVA shall immediately notify Plant Manager of Company of the circumstances, and TVA shall then have the right to discontinue the delivery of power and energy under this contract until the condition causing such fluctuations or disturbances is corrected by Company. TVA shall give Company written notice of these circumstances in addition to the above-mentioned notice, but the requirement of providing such written notice shall not limit or delay TVA's right to discontinue service to Company. Despite such discontinuance of service, Company shall be obligated to pay the amounts due for power and energy under this contract, including the minimum bills for such power.

9. *Notices.* Any notice or demand required by this contract shall be deemed properly given, if mailed, postage prepaid, to the Manager of Power and Engineering, Tennessee Valley Authority, 500A Chestnut Street Tower II, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Plant Manager, SKW Alloys, Inc., P.O. Box 217, Calvert City, Kentucky 42029, on behalf of Company, except that oral notices between the authorized operating representatives of the parties will be sufficient if confirmed in writing. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

10. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

Attest: (Seal)
/s/Helen S. Drummer
Assistant Secretary
OGC (/s/JMC)

TENNESSEE VALLEY AUTHORITY
By /s/W. F. Willis
General Manager

Attest:
/s/Peter Turzer
Title: Secretary

SKW ALLOYS, INC.
By /s/John F. Collins
Title: President

Approved by TVA
Board of Directors
January 16, 1985
/s/HSD
Assistant Secretary

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And TENNOL ENERGY COMPANY

THIS CONTRACT, made and entered into as of March 13, 1985, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and TENNOL ENERGY COMPANY (hereinafter called "Company"), a limited partnership organized and existing under the laws of the State of Tennessee;

WITNESSETH:

WHEREAS, Company is constructing a new ethanol production plant near Jasper, Tennessee, and has requested that TVA make available specified amounts of electric power for the operation of said plant; and

WHEREAS, the parties wish to agree upon the terms and conditions for the supply of such power;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of the date first above written and shall continue in effect for an initial term through the meter-reading time for the month of November 1990; provided, however, that provisions hereof relative to delivery of and payment for power and energy shall become effective as of 0001 CST on December 1, 1985, which date shall be the date of initial availability hereunder. The initial term of this contract shall be automatically extended through the meter-reading time for the month of November 1995; provided, however, that either party may terminate this contract effective at the end of the initial term upon giving the other party one year's prior written notice of such termination.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 2400 CST or CDT, whichever is currently effective, on the twenty-fifth day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to Company.

2. *Construction of Facilities.* TVA will construct a 2.3 mile, 636 kcmil ACSR, wood-pole, epoxy-arm, extension of TVA's Kimball 161-kV tapline to Company's new Tennol 161-kV Substation to permit delivery to Company of the power made available hereunder. Based on present conditions and in the absence of any unanticipated circumstances, the work will be completed by December 1, 1985.

Company shall, for the purpose of providing land rights for the use, installation, maintenance, and operation of TVA's 161-kV tapline extension, convey to the United States of America, without cost to TVA or the United States of America, an easement over Company's property not more than 75 feet in width and approximately 1,300 feet long, together with such additional easements and rights of way, including rights of ingress and egress in, over, and across Company's property as TVA deems necessary or desirable to permit the installation, maintenance, operation, and replacement of said 161-kV tapline extension and other facilities required to supply Company hereunder. The easements and rights of way shall be permanent easements in the form normally used by TVA for acquisition of easements for comparable facilities and all shall be at mutually satisfactory locations on Company's property. Company shall obtain the concurrence of Bankers Trust Company in said conveyance.

Company's Tennol 161-kV Substation shall be designed, constructed, maintained, and operated by Company at its expense in accordance with good, modern practices and procedures and shall be constructed in accordance with plans and specifications satisfactory to TVA only insofar as required for the safe and efficient operation of TVA's facilities and properties and so as to cause no undue hazards to TVA's facilities.

Company hereby grants to TVA the right to install, operate, and maintain recording meters and associated metering facilities on the low-tension side of said substation for measuring the real and reactive power and energy taken hereunder by Company, and TVA shall have free access thereto at all times.

If at any time during the term of this contract, or of any renewal, replacement, or extension thereof, Company requests TVA to adjust or relocate its facilities located on Company's property, TVA shall perform such adjustment or relocation work, and Company shall reimburse TVA for the actual costs, including applicable overheads, incurred by TVA in performing such work, which costs shall also include without limitation costs of obtaining any new easements and rights of way in, over, and across property other than Company's property for any such relocated facilities. In the event of any relocation provided for above, TVA shall cause to be

abandoned and released any easements and rights of way over and across Company's property from which TVA's facilities are removed. Such abandonment shall be made after completion and payment of the costs of the relocation of said facilities.

Notwithstanding anything herein that might be construed to the contrary, TVA's 161-kV tapline extension may be used in serving loads other than Company's load in any manner which TVA deems necessary or desirable.

3. *Availability of Firm Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder 6,100 kW of firm power during the term of this contract. Said amount of firm power shall be the "firm contract demand" hereunder.

4. *Availability of Supplemental Power.* TVA will make available supplemental power in such amounts and at such times as Company requests and TVA in its judgment is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to ensure that TVA will be able to meet its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy. Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

5. *Conditions of Delivery.* The point of delivery for power and energy made available hereunder shall be the point of interconnection of TVA's 161-kV transmission tapline extension and Company's 161-kV facilities in Company's Tennol 161-kV Substation. The power available hereunder shall be delivered at a nominal voltage of 161,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions. Unless otherwise agreed by TVA, Company shall not at any time operate Company's facilities in such a manner that a load is electrically connected from phase to ground.

6. *Determination of Billing Amounts.* A month shall be the billing period, except that any month within which there is a change in the availability of or price of supplemental power under section 4 of this contract will be divided for billing purposes, each billing period in that month comprising the intervals in which the same amounts of such power are available at the same price, whether or not they are consecutive intervals, and except that a month may be divided for billing purposes pursuant to section 4 of the Terms and Conditions, and billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm and supplemental power available hereunder (during periods when firm and supplemental power are available), or (b) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make supplemental power available under section 4 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 4, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

The total demand for each billing period less the sum of any excess demand and any billing demand for supplemental power shall be the firm demand, and the highest firm demand in a month shall be the billing demand for firm power for the month; provided, however, that the firm power billing demand shall in no case be less than the amount calculated under the exception language set out in the *Determination of Demand* section of the attached rate schedule. The total metered energy for each billing period, less any supplemental energy deemed to have been taken by Company hereunder, shall be the firm energy.

7. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, charges for supplemental power, demand charges for any excess takings, charges for firm energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GP-I, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule is attached hereto and made a part hereof; provided that

(a) the minimum bill may be modified pursuant to section 4 of the Terms and Conditions;

(b) the sections of said schedule headed "*Seasonal Service,*" and "*Contract Requirement,*" and the last sentence thereof relating to rules and regulations shall be of no force and effect;

(c) the term "Distributor" in said schedule shall be deemed to refer to TVA; and

(d) for purposes of applying the charges set out in the section headed "*Base Charges*" of said rate schedule, the words "billing demand" shall be deemed to refer to the sum of the billing demand for excess power and the billing demand for firm power; and provided further, it is understood that the additional amount which, under said section, is to be applied as a part of the demand charge to each kW "by which customer's billing demand exceeds its contract demand" shall, for purposes of this contract, be an additional amount applied to each kW of Company's billing demand for excess power.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract or the Terms and Conditions, either the body of this contract or said Terms and Conditions, as the case may be, shall control.

It is hereby recognized and agreed by Company (a) that the continued payment of any and all minimum bill amounts for the full 5-year term (and any extension thereof) for which electric power is to be made available to Company under this contract is an integral part of the contractual obligations under which TVA agrees to make power available, and (b) that, in the event of any type of bankruptcy proceeding involving Company, Company will not object to or contest, but will actually support as a proper utility expense, the payment of any and all such minimum bill amounts for the full 5-year contract term (and any extension thereof) for which electric power is made available.

8. *Testing and Startup Power.* It is recognized that prior to normal commercial operation of Company's plant, there will be a period during which Company will be involved in various startup operations, including equipment installation and testing. Accordingly, notwithstanding anything to the contrary in this contract (including the rate schedule and the Terms and Conditions attached hereto), during the period beginning at 0001 CST on December 1, 1985, and extending through the meter-reading time on November 25, 1986, or through such earlier date that Company has begun normal commercial operation of its plant, the *Minimum Bill* section of the rate schedule applicable for service to Company shall not be applied in calculating monthly bills, and the exception language set out in the *Determination of Demand* section of said rate schedule shall not be applied in determining the firm billing demand for any month for service provided during the above-described period. Following the above-described period, the *Minimum Bill* section and all provisions in the *Determination of Demand* section shall be applicable for service provided to Company under this contract.

9. *Electrical Fluctuations.* The power and energy taken hereunder shall not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. Company shall provide, at its expense, suitable apparatus which will reasonably limit such fluctuations. In the event that unreasonable fluctuations or disturbances, including without limitation harmonic currents resulting in actionable interference with communication systems or in harmonic resonance of now existing facilities, are caused by Company's facilities, TVA shall immediately notify Company of the circumstances and TVA shall then have the right to discontinue the delivery of power and energy under this contract until the condition causing such fluctuations or disturbances is corrected by Company. TVA shall give Company written notice of these circumstances in addition to the above-mentioned notice, but the requirement of providing such written notice shall not limit or delay TVA's right to discontinue service to Company. Despite such discontinuance of service, Company shall be obligated to pay TVA the amounts due for power and energy under this contract, including the minimum bills provided herein for such power.

10. *Deposit Amount.* Prior to December 1, 1985 Company will deposit with TVA an amount equal to the charges for two months of electric service to Company under this contract at the then applicable rates. This amount shall be calculated on the basis that in each of the two months (1) the billing demand was equal to the contract demand, (2) the load factor was 100 percent, and (3) there were 720 hours in the month. The base charges applied in making the

calculation shall be those set out in the general power rate schedule (adjusted in accordance with any then current Adjustment Addendum published by TVA) applicable to service to Company hereunder as of the date the deposit is made. It is estimated, for convenience only, that the initial deposit amount will be $335,000.

At any times after the initial deposit that (1) the rate schedule applicable for service under this agreement is modified, changed, replaced, or adjusted by TVA so as to increase the base charges, or (2) Company's contract demand is increased, TVA will recalculate the deposit amount in the manner described in the preceding paragraph using the increased base charges or the new contract demand, as the case may be. Within 10 days after receipt from TVA of notice of the increased deposit amount, Company shall increase to that amount the funds deposited with TVA.

Company shall maintain such amounts on deposit with TVA for the term of this contract, or any extension thereof. This amount may be utilized by TVA to cover any amounts (including any future minimum bill obligations) for which this contract provides and for which payments are not made by Company. Notwithstanding having made the deposit hereunder, Company will remain obligated to make all payments as they become due under this contract.

At the end of the term of this contract, or any extension thereof as provided in section 1 above, and within 10 days after receipt from Company of any remaining payments due under this contract, TVA will return to Company an amount equal to the deposit. In addition, TVA will calculate an amount representing simple interest at the rate of 12% per year on the deposit held during contract term. TVA will also pay to Company this interest amount at the time the deposit is returned.

11. *Notices.* Any notice or demand required by this contract shall be deemed properly given, if mailed, postage prepaid, to the Manager of Power and Engineering, Tennessee Valley Authority, Chattanooga, Tennessee 37401, on behalf of TVA, or to Tennol Energy Company, Suite 206, 1919 Pennsylvania Ave. NW, Washington, D.C. 20006, on behalf of Company, except that oral notices between the authorized operating representatives of the parties will be sufficient if confirmed in writing. The designation of such person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

12. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

TENNESSEE VALLEY AUTHORITY
By /s/H. G. Parris
Manager of Power and Engineering

Attest:

TENNOL ENERGY COMPANY
By Tennol Inc., Its General Partner

/s/J. Mario Fontes
Title: V. Pres.

By /s/William E. Tragert
V. Pres.

TERMS AND CONDITIONS

1. *Conditions of Delivery.* The power delivered under the contract shall be 3-phase alternating current at a frequency of approximately 60 hertz and at the nominal voltage specified in the contract. Except for temporary periods of abnormal operating conditions, voltage variations shall not exceed 7 percent up or down from a normal voltage to be determined from operating experience.

Company shall exercise all reasonable precautions and install all equipment necessary to limit its total demand as determined in accordance with the contract or rate schedule attached thereto to the amount to which it is entitled under the contract. If the total demand for any interval exceeds the amount to which Company is so entitled, Company shall not be entitled to continue such excess takings thereafter whether or not it is obligated to pay therefor.

Maintenance by TVA at the point of delivery of voltage within the above-stated limits and the frequency contracted for will constitute availability of power for purposes of the contract.

TVA shall not be obligated to install protective equipment, but may install such equipment as TVA deems necessary for the protection of its own property and operations. The electrical equipment installed by Company shall be capable of satisfactory coordination with TVA's protective equipment.

In the event Company's use of power causes fluctuations or disturbances on TVA's system, TVA may require Company, at Company's expense, to install suitable apparatus to keep such fluctuations or disturbances within reasonable limits.

2. *Billing.* For purposes of determining billing amounts, the term "month" in the body of this contract, and in the attachments thereto, if any, shall mean the period from the meter-reading time in one calendar month to the meter-reading time in the next calendar month.

TVA will bill Company for all charges applicable under the contract for the preceding month as soon thereafter as practicable. Payment of such bill by Company shall become due 10 days after the date of bill. To any amount remaining unpaid 10 days after the due date, there shall be added a charge equal to the sum of (1) $150 and (2) an amount calculated in the following manner: the average of the interest rates payable on TVA's short-term borrowings (having maturities of less than one year) made during the calendar month preceding the month of the date of bill is to be applied on a daily basis to the unpaid portion of the bill for each day of the period from and after the due date to and including the date of payment in full. (In the event that TVA made no short-term borrowings during such preceding calendar month, the amount used in making the calculation shall be the average effective interest rate on 91-day United States Treasury bills (based on the average of the closing bid and asked prices) during such preceding calendar month, plus 1/8 of one percent.) TVA will prepare and send to Company appropriate invoices for such added charge, which shall be due and payable upon receipt. All payments shall be made to TVA at its Chattanooga Accounting Branch office at Chattanooga, Tennessee 37401, or at such other place as TVA may from time to time designate by notice to Company.

Upon failure of Company to pay all charges applicable under the contract within 30 days after date of any bill, TVA shall have the right, upon reasonable notice, to discontinue the supply of power, and may refuse to resume delivery so long as any such past due account remains unpaid. Discontinuance of supply under this section shall not relieve Company of its liability for minimum monthly charges.

TVA shall allow Company an early payment credit (to be applied on its subsequent monthly bill) for any month for which Company makes payment to TVA for charges applicable under the contract in time for TVA to receive and deposit such payment on or before the due date. The amount of the early payment credit shall be arrived at by applying for each day of the 10-day period following the due date the average of the interest rates used in calculating the amount in (2) above to the amount of such early payment.

In the event Company voluntarily or involuntarily fails to pay in full any monthly bill by the expiration of 60 days from the date of bill, TVA shall have the right to consider the contract breached and to cancel the same upon written notice that if payment in full is not received within 10 days (or such longer period as may be specified) after the date of said notice, the contract shall be deemed permanently breached and canceled; and such cancellation by TVA shall be without waiver of any amounts which may be due or of any rights, including the right to damages for such breach, which may have accrued up to and including the date of such cancellation.

3. *Metering.* TVA shall install and maintain the meters and associated equipment which in TVA's judgment are needed to determine the amounts of power and energy used by Company. If Company provides its own stepdown substation, and if in TVA's judgment there are special conditions which must be met in Company's substation or switchgear with respect to metering equipment, Company shall at its expense provide, install, and maintain, in accordance with plans and specifications approved by TVA, that part of the associated equipment necessary in TVA's judgment for the installation and operation of TVA's meters under the circumstances. If the metering equipment is not located at the point of delivery defined in the contract, all amounts so metered shall be appropriately adjusted to reflect delivery at the point of delivery. The amounts so metered by TVA, and so adjusted if appropriate, shall be the amounts used as the basis for billing, except as otherwise provided. Company shall have the right to install and maintain at its expense meters adjacent to TVA's meters, as a check on TVA's meters. Should TVA's meters fail to register for any period, the consumption during such period shall be determined from the Company's meters or from the best information available.

TVA shall, at its expense, make periodic tests and inspections of its metering equipment in order to maintain a high standard of accuracy. If requested by Company, TVA shall make additional tests and inspections of its metering equipment; if such additional tests show that the measurements are accurate within 1 percent fast or slow at the average load during the preceding 30 days, the cost of making such additional tests or inspections shall be paid by Company. TVA shall give Company reasonable notice of tests, so that Company may have a representative present if it wishes.

If any tests or inspections show TVA's measurements to be inaccurate by more than 1 percent, an offsetting adjustment shall be made in Company's bills for any known or agreed period of inaccuracy; in the absence of such knowledge or agreement, the adjustment shall be limited to 30 days prior to the date of such tests. Any TVA metering equipment found to be inaccurate by more than 1 percent shall be promptly replaced, repaired, or readjusted by TVA.

4. *Interference with Availability or Use of Power.* The term "force majeure" shall be deemed to be a cause reasonably beyond the control of the party affected, such as, but without limitation to, injunction, strike of the party's employees, war, invasion, fire, accident, floods, backwater caused by floods, acts of God, or inability to obtain or ship essential services, materials, or equipment because of the effect of similar causes on the party's suppliers or carriers. Acts of God shall include the effects of drought if the drought is of such severity as to have a probability of occurrence not more often than an average of once in 40 years.

It is recognized by the parties that the availability of power to Company may be interrupted or curtailed from time to time during the term of this contract because of force majeure or otherwise. Company shall be solely responsible for providing and maintaining such equipment in its plant and such emergency operating procedures as may be required to safeguard persons on its property, its property, and its operations from the effects of such interruptions or curtailments. Company assumes all risk of loss, injury or damage to Company resulting from such interruptions or curtailments. If any such interruption or curtailment lasts longer than 30 consecutive minutes, TVA shall cancel or proportionately reduce, as the case may be, the charges for service for the period of such interruption or curtailment.

If Company's ability to operate the facilities for which power is available under the contract is interrupted or curtailed for a period longer than 24 hours because of force majeure suffered by Company, (1) all of the intervals of 24 hours' or longer duration within any month when Company is, because of such force majeure, unable to use more than 75 percent of the power available, shall be combined, except for intervals covered by (2) below, into a separate billing period to which the pro rata portion of the normal monthly charge, including minimum bill, shall apply and (2) all of the intervals of 24 hours' or longer duration within any month when Company is, because of such force majeure, unable to use more than 5 percent of the power available shall be combined into another separate billing period for which the minimum bill shall be half the pro rata portion of the normal monthly minimum bill; provided, however, that Company may designate, by oral notice to TVA within 72 hours after its load increases above 75 percent of the power available, a shorter billing period in lieu of the separate billing period provided for in (1) above. Any such oral notice shall be confirmed in writing.

Each party shall notify the other party promptly of the development of any cause of interruption or curtailment, and shall remedy the effect of any such cause as promptly as practicable.

5. *Resale of Power.* The electric power supplied under the contract is for the use of Company or any wholly owned subsidiary of Company or its parent company in the operation of its facilities at the location or locations specified in the contract and shall not be resold or otherwise disposed of, directly or indirectly, for any other purpose.

6. *Phase Balancing.* Company shall endeavor to take and use power and energy in such manner that the current will be reasonably balanced on the three phases. In the event that any check indicates that the current on the most heavily loaded phase exceeds the current on either of the other phases by more than 20 percent, Company agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected within 60 days, or such other period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and compute the total demand for billing purposes as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with the current coil in that phase wire and to the potential coil connected between that phase wire and the neutral voltage point.

7. *Waivers.* A waiver of one or more defaults shall not be considered a waiver of any other or subsequent default.

8. *Successors and Assigns.* The contract may be assigned by TVA, but shall not be assignable by Company without written consent of TVA except (1) to a wholly owned subsidiary of Company or Company's successor by any bona fide merger, reorganization, or consolidation; or (2) to the U.S. Department of Energy or to Bankers Trust Company, as collateral trustee, pursuant to a trust agreement entered into as of August 22, 1984, by and among Company, the U.S. Department of Energy, and Bankers Trust Company.

In the event of any such assignment the parties hereto shall remain liable for the faithful performance of the contract in all respects by their respective assigns, and such assigns by

acceptance of such transfer or assignment shall likewise become bound for the full performance of the contract until the expiration thereof.

9. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of the contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Company offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34. Breach of this provision shall constitute a material breach of the contract.

10. *Counterparts.* The contract may be executed in any number of counterparts, and all such counterparts, executed and delivered each as an original, shall constitute but one and the same instrument.

MEMORANDUM OF UNDERSTANDING DAAH03-85-D-0006 Between TENNESSEE VALLEY AUTHORITY And UNITED STATES OF AMERICA, DEPARTMENT OF THE ARMY REDSTONE ARSENAL

THIS CONTRACT, made and entered into as of June 20, 1985 DAAH03-76-D-0006, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and the UNITED STATES OF AMERICA, DEPARTMENT OF THE ARMY (hereinafter called "Army");

WITNESSETH:

WHEREAS, TVA and Army have heretofore entered into Memorandum of Understanding TV-42663A, dated July 1, 1975, DAAH03-76-D-0006, (hereinafter called the "1975 Agreement"), under which power is made available by TVA to Army for the operation of Army's Redstone Arsenal (hereinafter called "Redstone") near Huntsville, Alabama; and

WHEREAS, the 1975 Agreement is scheduled to expire on the meter-reading time on June 20, 1985; and

WHEREAS, the parties hereto desire to enter into a new agreement under which power will continue to be made available to Redstone after expiration of the 1975 Agreement;

NOW, THEREFORE, for and in consideration of the premise and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term.* This contract shall become effective as of the meter-reading time on June 20, 1985, and shall continue in effect through the meter-reading time for the month of June 1995. For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 0000 CST or CDT, whichever is currently effective, on the 20th day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to Army.

2. *Availability of Firm Power.* Subject to the other provisions of this contract, TVA shall make available to Army hereunder during the term of this contract firm power in the respective amounts specified for the periods indicated in the tabulation set forth below. Each such period shall begin and end as of the meter-reading time on the dates indicated. Said amounts of firm power shall be the "firm contract demand" hereunder for the respective periods.

Period	*Amount of Firm Power Available - kW*
June 20, 1985 through June 20, 1986	60,000
June 20, 1986 through June 20, 1987	61,000
June 20, 1987 through June 20, 1988	62,000
June 20, 1988 through June 20, 1989	63,000
June 20, 1989 through June 20, 1990	64,000
June 20, 1990 through June 20, 1995	65,000

3. *Conditions of Delivery.* The points of delivery for power and energy made available hereunder shall be at the terminals of TVA's 161-kV transmission lines supplying Army's No. 1 and No. 2 161-46-kV substations. The power made available hereunder shall be delivered at a nominal voltage of 161,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions.

Notwithstanding the provisions of General Power Rate—Schedule GP-I, referred to in section 4 below, the metered amounts of power and energy hereunder shall be combined on a simultaneous basis for billing purposes.

Army hereby agrees to operate its facilities in such a manner that at no times shall there be a load electrically connected from phase to ground, unless otherwise agreed by TVA.

Army currently supplies for the account of the City of Huntsville, Alabama, the power and energy requirements of GAF Corporation (hereinafter called "GAF"), lessee of the U.S. Army-owned Department Industrial Reserve Carbonyl Iron and Nickel Plant located on Redstone, an industrial customer of the City of Huntsville. The power and energy supplied to Army by TVA hereunder will include the power and energy being delivered by Army to GAF. Therefore, to account for the power and energy so supplied to GAF, TVA, for the purposes of determining the billing for Army hereunder, shall subtract 102 percent of the maximum 30-consecutive minute kW and kVAR demands established by GAF and 102 percent of the energy used by GAF from the respective kW, kVAR, and kWh measurements recorded by TVA's meters at

the points of delivery described above. Nothing in this section shall be construed in any way to impose upon TVA any responsibility for or in connection with the delivery or transfer of power to GAF through the electrical facilities of Army.

4. *Rates.* Army shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, demand charges for excess takings, charges for firm energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GP-I, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule is attached hereto and made a part hereof; provided that

(a) the minimum bill may be modified pursuant to section 4 of the Terms and Conditions;

(b) the sections of said rate schedule headed "*Seasonal Service*" and "*Contract Requirement,*" and the last sentence thereof relating to rules and regulations shall be of no force and effect; and

(c) the terms "Distributor" and "Customer" in said rate schedule shall be deemed to refer to TVA and Army, respectively.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract or the Terms and Conditions, either the body of this contract or said Terms and Conditions, as the case may be, shall control.

It is recognized that the above rates for power and energy, including adjustments, are the basic rates of TVA applicable to customers of the same class as Army, which class includes directly served industry and Federal installations. It is understood and agreed that any changes or revisions in said basic rates applicable generally to such customers shall be applicable equally to Army hereunder, and TVA agrees that it will notify Army immediately of such changes or revisions, specifying in said notice the effective date thereof.

5. *Notices.* Any notice or demand required by this contract shall be deemed properly given if mailed, postage prepaid, to the Manager of Power and Engineering, Tennessee Valley Authority, 500A Chestnut Street Tower II, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Commanding General, U.S. Army Missile Command, Redstone Arsenal, Alabama 35898-5280, Attn: Contracting Officer, on behalf of Army, except that oral notices between the authorized operating representatives of the parties will be sufficient if confirmed in writing. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

6. *Rights of Ingress and Egress.* Each party hereby grants to the other all rights in, over, and across property in its custody including, without limitation, rights of ingress and egress, necessary to enable the other party to carry out its obligations and exercise its rights under this contract, provided that at all times the applicable security regulations of Redstone shall be paramount to any and all such rights granted herein. Any equipment or facilities installed by either Army or TVA on property in the custody of the other shall be considered to be the personal property of the party installing the same, except as otherwise provided herein. Each party shall exercise reasonable care to protect the facilities and equipment of the other located on property in its custody. The facilities or equipment of each party installed upon property in the custody of the other shall be removed at the expense of the owning party upon the termination of this contract unless other mutually satisfactory arrangements are concluded.

7. *Incorporation of Terms and Conditions.* The attached Terms and Conditions, which are hereby made a part of this contract, shall apply to this contract except that it is hereby specifically agreed that the delivery of power and energy to GAF, as provided in section 3 above, and the furnishing by Army of power and energy to its agents, lessees, and contractors for use exclusively by them or their subcontractors in constructing and operating facilities used in the conduct of activities of Army at Redstone shall not be considered a violation of the provisions of section 5 of said Terms and Conditions.

For purposes hereof, the term "Company" in said Terms and Conditions shall be deemed to refer to Army. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

8. *Approval.* This contract shall be subject to the written approval of the Army Power Procurement Officer or his duly authorized representative and shall not be binding until so approved.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest:
/s/Helen S. Drummer
Assistant Secretary
OGC (/s/RAK)

TENNESSEE VALLEY AUTHORITY
By /s/W. F. Willis
General Manager

Attest:

/s/Daniel J. McCarthy
Title: LTC, QMC
Chief, Lab & Base Support Division
Procurement & Production Directorate

UNITED STATES OF AMERICA
DEPARTMENT OF THE ARMY
By /s/F. W. Carr
Title: Contracting Officer

Approved by TVA
Board of Directors
JUL 12 1985
HSD
Assistant Secretary

APPROVED:
/s/Peter Lequerique
Deputy Army Power Procurement Officer
June 6, 1985

UTILITY SERVICE CONTRACT
N62467-85-C-1851

MEMORANDUM OF UNDERSTANDING Between TENNESSEE VALLEY AUTHORITY And UNITED STATES OF AMERICA, DEPARTMENT OF THE NAVY NAVAL AIR STATION - MEMPHIS

THIS MEMORANDUM OF UNDERSTANDING, made and entered into as of 30 December 1984, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and THE UNITED STATES OF AMERICA, DEPARTMENT OF THE NAVY (hereinafter called "Navy");

WITNESSETH:

WHEREAS, TVA and Navy have heretofore entered into Memorandum of Understanding TV-41196A, dated December 30, 1974 (hereinafter called the "1974 Agreement"), under which power is made available by TVA to Navy for the operation of Navy's Memphis Naval Air Station near Millington, Tennessee; and

WHEREAS, the 1974 Agreement is scheduled to expire at the end of the day on December 31, 1984; and

WHEREAS, the parties hereto desire to replace the 1974 Agreement with a new agreement under which power will continue to be made available to said Naval Air Station;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term.* This agreement shall become effective as of the meter-reading time on December 31, 1984, and shall continue in effect through the meter-reading time for the month of December 1994.

For purposes of this agreement, the term "meter-reading time" for any calendar month shall mean 2400 CST or CDT, whichever is currently effective, on the last day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to Navy.

2. *Availability of Firm Power.* Subject to the other provisions of this agreement, TVA shall make available to Navy hereunder during the term of this agreement firm power in the respective amounts specified for the periods indicated in the tabulation set forth below. Each such period shall begin and end as of the meter-reading times for the dates indicated. Said amounts of firm power shall be the "firm contract demand" hereunder for the respective periods.

Period	*Amount of Firm Power Available - kW*
January 1, 1985 through December 31, 1985	21,000
January 1, 1986 through December 31, 1986	22,000
January 1, 1987 through the end of the term hereof	23,000

3. *Conditions of Delivery.* The points of delivery for power and energy made available hereunder shall be at the terminals of the 12.5-kV circuits supplying Navy's 12.5-kV switching station. The power made available hereunder shall be delivered at a nominal voltage of 12,500 volts, subject to the provisions of section 1 of the attached Terms and Conditions.

4. *Rates.* Navy shall pay TVA monthly for power and energy available under this agreement. Customer charges, demand charges for firm power, demand charges for any excess takings, charges for firm energy used, as well as any other charges under this agreement shall be separate and cumulative. Except as otherwise provided in this agreement, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GP-I, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule is attached hereto and made a part hereof; provided that

(a) the minimum bill may be modified pursuant to section 4 of the Terms and Conditions;

(b) the sections of said rate schedule headed *"Seasonal Service"* and *"Contract Requirement,"* and the last sentence thereof relating to rules and regulations shall be of no force and effect; and

(c) the terms "Distributor" and "Customer" in said rate schedule shall be deemed to refer to TVA and Navy, respectively.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this agreement or the Terms and Conditions, either the body of this agreement or said Terms and Conditions, as the case may be, shall control.

It is recognized that the above rates for power and energy, including adjustments, are the basic rates of TVA applicable to customers of the same class as Navy, which class includes directly served industry and Federal installations. It is understood and agreed that any changes or revisions in said basic rates applicable generally to such customers shall be applicable equally to Navy hereunder, and TVA agrees that it will notify Navy immediately of such changes or revisions, specifying in said notice the effective date thereof.

5. *Facilities.* To facilitate the supplying of power to Navy hereunder, TVA will make such arrangements with the Memphis Light, Gas and Water Division of the City of Memphis, Tennessee ("Memphis"), as may be necessary for the use by TVA of Memphis's transmission and substation facilities and of the two 12.5-kV circuits from Memphis's Substation No. 15 to Navy's switching station.

It is recognized that TVA normally provides or causes to be provided facilities adequate in it's judgment to supply the power contracted for by its customers and that any additional facilities desired by and provided for its customers are provided at the customer's expense. Accordingly, if, during the term of this agreement, Navy desires and requests TVA to provide an additional 12.5-kV circuit or any other additional facilities, or desires to relocate the delivery points, TVA and Navy will endeavor following such request to develop appropriate contractual arrangements relating thereto; provided, however, that any such circuit or other facilities provided or work performed shall be at Navy's expense.

If such a request by Navy should necessitate the retirement of any of the existing facilities used in supplying power to Navy, the aforementioned contractual arrangements will, without limitation, include provisions whereby Navy will bear (and will pay to TVA) (1) the costs of retiring any such existing facilities; (2) Memphis's unamortized and unrecoverable cost of the retired facilities; and (3) the cost in excess of the installed cost of TVA's existing metering facilities, if any, incurred by TVA in providing any additional metering facilities for an additional circuit or for a new delivery point. TVA will reimburse Memphis directly for its cost described in (2) above.

6. *Notices.* Any notice or demand required by this agreement shall be deemed properly given if mailed, postage prepaid, to the Manager of Power and Engineering, Tennessee Valley Authority, 500A Chestnut Street Tower II, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Base Procurement Officer, Memphis Naval Air Station, Memphis, Tennessee 38115, on behalf of Navy, except that oral notices between the authorized operating representatives of the parties will be sufficient if confirmed in writing. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

7. *Incorporation of Terms and Conditions.* The attached Terms and Conditions, which are hereby made a part of this agreement, shall apply to this agreement except insofar as provided in (a) and (b) below:

(a) Since TVA will make power available hereunder at 12.5 kV, TVA will provide, at its expense, the equipment referred to in the second sentence of section 3 of said Terms and Conditions associated with the installation of TVA's meters. Accordingly, for purposes of applying the provisions of section 3 of said Terms and Conditions, Navy's 12.5-kV switching station (referred to in section 3 of this agreement) shall be deemed to be the stepdown substation referred to therein.

(b) It is hereby specifically agreed that the disposition of power to agents and contractors of Navy for use exclusively by them or their subcontractors in constructing and operating facilities used in the conduct of activities of Navy at the Naval Air Station shall not be considered a violation of the provisions of section 5 of said Terms and Conditions.

For purposes hereof, the term "Company" in said Terms and Conditions shall be deemed to refer to Navy. In the event of any conflict between the body of this agreement and said Terms and Conditions, the former shall control.

8. *Previous Agreement.* Effective as of the meter-reading time on December 31, 1984, the 1974 Agreement is hereby terminated.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their duly authorized officers, as of the day and year first above written.

TENNESSEE VALLEY AUTHORITY
By /s/H. G. Parris
Manager of Power and Engineering

Attest:
/s/Barbara M. Cornwell
Title

UNITED STATES OF AMERICA
DEPARTMENT OF THE NAVY
By /s/J. B. Emison, Jr.
Title: Capt., CEC, USN
Executive Officer

For Commander, Naval Facilities Engineering Command, Contracting Officer

MEMORANDUM PROVISIONS GOVERNING POWER SUPPLY TO THE OFFICE OF AGRICULTURAL AND CHEMICAL DEVELOPMENT AT WILSON DAM

This memorandum will confirm the arrangements between the Office of Agricultural and Chemical Development (hereinafter called "OACD") and Power and Engineering (hereinafter called "P&E") to terminate our current power supply arrangements (set out in memorandum TV-52335A, dated July 1, 1979, as amended (hereinafter called the "1979 Memorandum")), and enter into new power supply arrangements as set out in this memorandum providing for the supply of firm power and of limited interruptible power in accordance with the standard arrangements under which P&E makes limited interruptible power available.

1. *Term.* This memorandum shall become effective as of the meter-reading time on March 31, 1985, and shall continue in effect through the meter-reading time for the month of February 1995, unless sooner terminated as hereinafter provided. At any time, upon five years' written notice, either P&E or OACD may terminate the arrangements hereunder covering availability of the total amount of limited interruptible power or may terminate this memorandum.

For purposes of this memorandum, the term "meter-reading time" for any calendar month shall mean 0800 CST or CDT, whichever is currently effective, on the last day of the calendar month; provided, however, that P&E may change the meter-reading time upon notice to OACD.

2. *Supply of Electric Power.* P&E will deliver the power requirements of OACD for the operation of its chemical plant in the quantities and in accordance with the provisions hereinafter set forth.

3. *Delivery Point.* The delivery point for power delivered hereunder shall be the point at which P&E's 161-kV line connects to OACD's 161-13-kV substation in the vicinity of the chemical plant (hereinafter called the "Wilson Dam Chemical Plant 161-kV Substation").

4. *Availability of Firm and Limited Interruptible Power.* Subject to the other provisions of this memorandum, P&E shall make available to OACD hereunder firm and limited interruptible power in the respective amounts specified for the periods indicated in the tabulation set forth below. Each such period shall begin and end as of the meter-reading time on the dates indicated. Said amounts of firm and limited interruptible power shall be the "firm contract demand" and the "limited interruptible contract demand," respectively, hereunder for the respective periods.

Period	*Amount of Power Available*	
	Firm	*Limited Interruptible*
March 31, 1985, through June 30, 1989 (hereinafter called "Period 1")	12,800 kW	12,800 kW
June 30, 1989 to the end of the term hereof (hereinafter called "Period 2")	10,000 kW	10,000 kW

Except as provided below with respect to limited interruptible power and as provided in section 10 hereof with respect to interference with the availability of power, power in the amounts of the contract demands shall be made available continuously by P&E.

P&E shall have the right to reduce the power made available under this section to the firm contract demand at any time and from time to time; provided that (1) each period of reduction in the availability of limited interruptible power shall be a continuous period of not more than 15 days, (2) no such reduction shall be made within 30 days following the end of the immediately preceding reduction in the availability of limited interruptible power, (3) the aggregate of all reductions during any 12-consecutive-month period shall not exceed 45 days, and (4) if P&E deems that there is adequate generating capacity available on the TVA system to meet all loads, P&E will exercise such right of reduction only if revised projections of operating costs for the then current fiscal year cause P&E to conclude, in its sole judgment, that the average incremental operating costs for the TVA system for that fiscal year will exceed the average cost estimates which were made by P&E prior to the beginning of that fiscal year for purposes of establishing charges for limited interruptible power. P&E shall give OACD not less than 24 hours' prior notice of reduction in the availability of limited interruptible power. Such notice shall specify the time and date for beginning said reduction and P&E's estimate of the time and date for ending said reduction. However, if the estimated length of the reduction is less than 15 days, P&E shall have the right to continue the period of reduction by furnishing OACD notice thereof at least 3 days prior to the estimated end of the reduction period furnished OACD in the notice provided for under the preceding sentence; provided, however, that the

reduction period as so continued will not exceed 15 days; and provided further, that P&E will continue such reduction beyond the initial estimate only once in a reduction period.

Any notice provided for in the preceding paragraph may be given orally but shall be confirmed in writing. The length of any notice period and the length of any reduction period provided for in the preceding paragraph may be revised at any time by agreement of OACD and P&E.

5. *Availability of Replacement Power.* During periods of reduction in the availability of limited interruptible power (including any continuation of such a reduction) as provided for in section 4 hereof, P&E will make available replacement power in an amount up to the limited interruptible contract demand for all or part of the reduction period (including any continuation of such a reduction period) as OACD requests and P&E, in its judgment, is able to supply, subject, however, to and in accordance with a mutually satisfactory scheduled amount being agreed upon at least 12 hours prior to the requested time of initial availability of such replacement power. When OACD furnishes to P&E a proposed schedule for taking a specific amount of replacement power, P&E will determine the price for such power based upon P&E's estimated out-of-pocket cost of supplying such replacement power plus 20 percent. This price will be quoted to OACD at least 16 hours prior to the requested time of initial availability of replacement power; provided that OACD furnishes the proposed schedule to P&E in time for P&E to have 4 hours in which to make the necessary determinations. If OACD elects to schedule such replacement power, it will be paid for by OACD at such quoted price. It is understood that any price quoted by P&E is only applicable for the specific proposed schedule for which it is quoted, and P&E shall have no obligation to make available at the quoted price replacement power for any period of time or in any amount differing from that set out in such proposed schedule.

Any schedule of replacement power may be revised at any time by agreement of OACD and P&E; provided, however, that when replacement power is requested by OACD under a revised schedule, P&E shall quote OACD a price therefor based upon P&E's then estimated out-of-pocket cost for supplying such replacement power (under the revised schedule) plus 20 percent, and any such replacement power scheduled will be paid for at that revised price.

Any replacement power schedule agreed to by OACD and P&E, or any notice about replacement power, if oral, shall be confirmed in writing.

6. *Availability of Supplemental Power.* P&E will make supplemental power available to OACD in such amounts and at such times as OACD requests and P&E, in its judgment, is able to supply, subject to mutually satisfactory schedules being agreed upon a reasonable time in advance of its delivery. OACD may, upon notice adequate to P&E in advance of any scheduled future deliveries, change any such schedule to any extent acceptable to P&E. P&E may change the schedule to suspend or curtail the availability of supplemental power during P&E's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to protect its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy. Any supplemental power schedule agreed to by OACD and P&E or any subsequent change therein, if oral, shall be confirmed in writing.

The supplemental power so scheduled shall be paid for by OACD at the then prevailing daily or monthly onpeak and offpeak supplemental power rates and charges.

7. *Determination of Billing Amounts.* A month shall be the billing period, except that any month within which there is a change in the availability of limited interruptible power under section 4 hereof or a change in the availability of or price of replacement power or supplemental power under sections 5 or 6, respectively, hereof will be divided for billing purposes. Each such billing period in that month shall be comprised of the intervals in which the same amounts of each type of power are available at the same price, whether or not they are consecutive intervals. It is recognized that where appropriate, as provided for in section 10 hereof, a month will be divided for billing purposes as described therein, and except as may be provided otherwise in this section 7 with respect to such periods, billing for periods provided for therein shall be governed thereby. The total demand, the total metered energy, and the energy, if any, taken in a separate billing period as provided for in section 10, hereof, all as set out below, shall reflect the adjustment provided for in the first paragraph of section 12 hereof.

OACD's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in the last paragraph of section 11 hereof. If the total demand exceeds (a) the aggregate amount of firm, limited interruptible (or replacement), and supplemental power available hereunder (during periods when firm, limited interruptible (or replacement), and supplemental power are available), or (b) the aggregate amount of firm and limited interruptible (or replacement) power available hereunder (during periods when only firm and limited interruptible (or replacement) power are

available), or (c) the aggregate amount of firm and supplemental power available hereunder (during periods when only firm and supplemental power are available), or (d) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which P&E has agreed to make replacement power available under section 5 hereof, the billing demand for replacement power shall be the replacement power scheduled in accordance with said section 5, and such replacement power shall be deemed to have been made available by P&E and used by OACD at 92-percent load factor during the period scheduled for purposes of determining the amounts of replacement energy deemed to have been taken by OACD hereunder.

For any billing period in which P&E has agreed to make supplemental power available under section 6 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 6, and such supplemental power shall be deemed to have been made available by P&E and used by OACD at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by OACD hereunder.

The total demand for each billing period less the sum of any excess demand, any billing demand for replacement power, and any billing demand for supplemental power shall be the "total normal demand." The total metered energy for each month, less (1) the sum of any replacement energy and supplemental energy deemed to have been taken by OACD hereunder (excluding any replacement energy and supplemental energy deemed to have been taken during a separate billing period as provided for in section 10 hereof) and (2) the total energy used during any such separate billing period, shall be the "total normal energy."

Of the total normal demand taken in any billing period, the demand for firm power shall be deemed to be the first power taken, up to and including the amount of firm power available, and the demand for limited interruptible power shall be deemed to be the total normal demand less the demand for firm power. The highest demand for firm power and the highest demand for limited interruptible power as so determined in a month shall be the respective billing demands for those types of power for the month, except that the billing demand for either for any separate billing period in which the availability of any type of power was interrupted or curtailed pursuant to section 10 hereof shall be the highest demand for such power as so determined for that separate billing period; provided, however, that during Period 2 only, the billing demand for firm power shall in no case be less than the amount calculated under the exception language set out in the *Determination of Demand* section of Schedule GP-I (as modified, changed, replaced, or adjusted from time to time); and provided further, that in making calculations under said exception language, the words "the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months" appearing therein shall be replaced by "the sum of (a) the firm contract demand and (b) the highest excess demand established during the preceding 12 months."

Of the total normal energy used in the month, the firm energy shall be deemed to be the lesser of the total normal energy or the product obtained by multiplying the firm contract demand times the total hours during the month in which firm power is available (excluding any hours included in a separate billing period as provided for in section 10 hereof) times a load factor of 0.8608. The limited interruptible energy shall be deemed to be the total normal energy less the firm energy.

Notwithstanding any provisions of the preceding paragraphs, for any separate billing period as provided for in the third paragraph of section 10 hereof, the following shall apply (provided that OACD notifies P&E within 24 hours following OACD's initial inability to operate the facilities for which power is available under this memorandum):

(1) no supplemental power shall be deemed to have been scheduled during such separate billing period; (2) the billing demand for replacement power for such separate billing period (if any was scheduled) shall be deemed to be the amount, if any, by which the total demand for said separate billing period exceeds the contract demand for firm power, and (3) the replacement energy deemed to have been taken during such separate billing period shall be the product obtained by multiplying the billing demand for replacement power as determined in accordance with the provisions of this paragraph times the number of hours in such separate billing period times a load factor of 0.92.

The total energy used in any separate billing period as provided for in section 10 hereof shall be decreased by the sum of any replacement energy and supplemental energy deemed to have been taken during said separate billing period, and the firm energy shall be deemed to be the lesser of the total energy used during said separate billing period (as so decreased) or the product obtained by multiplying the firm contract demand times the total hours during said separate

billing period in which firm power is available times a load factor of 0.8608. The limited interruptible energy shall be deemed to be the total energy used during said separate billing period (as so decreased) less the firm energy.

8. *Rates.* OACD shall pay P&E monthly for power and energy available under this memorandum. Customer charges, demand charges for firm power, demand charges for limited interruptible power, charges for replacement power, charges for supplemental power, demand charges for any excess takings, charges for firm energy used, charges for limited interruptible energy used, as well as any other charges under this memorandum shall be separate and cumulative. Except as otherwise provided in this memorandum, such charges and payments shall be in accordance with the rates and provisions of the General Power Rate—Schedule GP-I, as modified, changed, replaced, or adjusted from time to time, which schedule is attached hereto and made a part hereof; provided that

(a) the base charges applicable to the demand for limited interruptible power and the limited interruptible energy used shall be those set out in Exhibit A, which is attached hereto and made a part hereof, as said charges may be increased or decreased as provided in said Exhibit A; and provided further, that demand charges for limited interruptible power shall be prorated for periods during which the availability of limited interruptible power has been reduced by P&E in accord with section 4 hereof;

(b) during Period 1, OACD shall pay each month, in addition to the charges specified above, the amount, if any, by which (1) the product obtained by multiplying the demand charge applicable under part B of the attached rate schedule (as modified, changed, replaced, or adjusted from time to time) times (i) 40 percent of the first 5,000 kW, (ii) 70 percent of the next 45,000 kW, and (iii) 90 percent of all kW in excess of 50,000 kW of the sum of (a) 19,500 kW and (b) the highest excess demand, whether under this memorandum or the 1979 Memorandum, established during the preceding 12 months exceeds (2) the sum of (a) the demand charges for firm power, (b) the demand charges for limited interruptible power, and (c) the charges for limited interruptible energy. It is recognized that the calculation provided for in (b)(1) above is designed to reflect the exception language in the section headed "*Determination of Demand*" of the attached rate schedule. If at any time during Period 1 said exception language is altered or affected by modifications of, changes to, replacements of, or adjustments to said rate schedule, the provisions of (b)(1) above shall be revised by P&E to achieve consistency with said rate schedule as modified, changed, replaced, or adjusted. (Notwithstanding any other provisions of this subsection (b), (i) in the event of the occurrence of circumstances as described in section 10 hereof, the amount provided for herein shall be prorated in a manner consistent with that described in said section 10, and (ii) for purposes of calculating the amount provided for herein, for any month during which the availability of limited interruptible power has been reduced by P&E in accordance with section 4 hereof, 6,700 kW of the 19,500 kW specified herein shall be decreased on a pro rata basis to reflect the portion of the month during which such reduction of availability was in effect);

(c) in calculating the minimum bill as provided for in the second paragraph of the section of said rate schedule headed "*Minimum Bill*," the base demand charge, as adjusted, referred to in item 2, shall be applied (i) during Period 1 to the sum of (a) 19,500 kW and (b) the highest excess demand, whether under this memorandum or the 1979 Memorandum, established during the preceding 12 months and (ii) during Period 2, only to the firm contract demand plus the highest excess demand established during the preceding 12 months; and provided further, that the minimum bill may be modified pursuant to section 10 hereof. (During Period 1 only, amounts paid for demand and energy charges for limited interruptible power and for charges for replacement power shall be applied toward the satisfaction of the minimum bill obligation. If the minimum bill obligation is prorated for a separate billing period pursuant to section 10 hereof, only amounts covering the limited interruptible and replacement power taken during such separate billing period shall be so applied toward the minimum bill obligation for such separate billing period);

(d) the sections of said rate schedule headed "*Seasonal Service*," "*Payment*," and "*Contract Requirement*," and the last sentence thereof relating to rules and regulations shall be of no force and effect, and during Period 1 only, the exception language set out in the section of said rate schedule headed "*Determination of Demand*" shall be of no force and effect;

(e) for purposes of applying the charges set out in the section headed "*Base Charges*" of said rate schedule, the words "billing demand" shall be deemed to refer to the sum of the billing demand for excess power and the billing demand for firm power; and provided further, it is understood that the additional amount which, under said section, is to be

applied as part of the demand charge to each kW "by which customer's billing demand exceeds its contract demand" shall, for purposes of this memorandum, be an additional amount applied to each kW of OACD's billing demand for excess power;

(f) the terms "Distributor" and "Customer" in said rate schedule shall be deemed to refer to P&E and OACD, respectively, and the words "contract demand" in said rate schedule, except as otherwise provided above, shall be deemed to be the total of the firm and limited interruptible power available; and

(g) all charges for power and energy (including minimum bill amounts) under this memorandum, exclusive of any facilities rental charges, so computed shall be reduced 5 percent, since no payments in lieu of taxes are made on these revenues.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this memorandum or the Exhibits, the body of this memorandum or the Exhibits, as the case may be, shall control.

9. *Rental of P&E's Facilities.* P&E shall continue to rent to OACD the facilities in the custody of P&E, as set forth in Exhibit B, which is attached hereto and made a part hereof, in the Wilson Dam Chemical Plant 161-kV Substation (hereinafter called the "Rental Facilities") for an annual rental, payable in equal monthly installments, equal to 9 percent per year of the actual net book cost as of October 1, 1978, as determined from P&E's records.

OACD is responsible for providing protective equipment for its facilities. However, some protection is derived from 161-kV circuit breaker installation No. 928 at the Wilson Hydro 161-kV Switchyard. P&E undertakes no duty and makes no warranties, express or implied, concerning the protection of OACD's facilities or Rental Facilities by said 161-kV breaker installation No. 928, and P&E assumes no obligation to keep said 161-kV breaker installation No. 928 in service.

OACD at its expense shall operate and maintain the Rental Facilities in accordance with good, modern practices and procedures, making all repairs, additions, and replacements. OACD may move, modify, rearrange, or retire any of the Rental Facilities, but only upon agreement with P&E as to such changes.

OACD may acquire all or any part of the Rental Facilities at any time by paying to P&E an acquisition price as calculated below, and the rental charges provided for above will be appropriately reduced effective as of the date of any such payment. Thereafter, the facilities so paid for will be treated as property acquired by or for OACD and shall be carried on its books. The acquisition price of the Rental Facilities will be the net book cost as of October 1, 1978 ($202,289.11), less an amount equivalent to three percent per year of the original installed cost of the Rental Facilities as of October 1, 1978, for the period from October 1, 1978 to the date of acquisition.

In the event that this memorandum or any renewal or replacement thereof expires or is terminated, OACD shall pay to P&E, promptly upon receipt of a statement therefor, an amount equal to the acquisition price calculated as provided for above as of such date of expiration or termination, and custody of said Rental Facilities shall be considered transferred to OACD without further action. The obligations under this paragraph shall survive any such expiration or termination of this memorandum, notwithstanding anything to the contrary appearing herein.

10. *Interference with Availability or Use of Power.* The term "force majeure" shall be deemed to be a cause reasonably beyond the control of the party affected, such as, but without limitation to, injunction, strike of the party's employees, war, invasion, fire, accident, floods, backwater caused by floods, acts of God, or inability to obtain or ship essential services, materials, or equipment because of the effect of similar causes on the party's suppliers or carriers. Acts of God shall include the effects of drought if the drought is of such severity as to have a probability of occurrence not more often than an average of once in 40 years.

It is recognized by the parties that the availability of power to OACD may be interrupted or curtailed from time to time during the term of this memorandum because of force majeure or otherwise. OACD shall be solely responsible for providing and maintaining such equipment in its plant and such emergency operating procedures as may be required to safeguard persons on its property, its property, and its operations from the effects of such interruptions or curtailments. OACD assumes all risk of loss, injury, or damage to OACD resulting from such interruptions or curtailments. If any such interruption or curtailment lasts longer than 30 consecutive minutes, P&E shall cancel or proportionately reduce, as the case may be, the charges for service for the period of such interruption or curtailment.

If OACD's ability to operate the facilities for which power is available under this memorandum is interrupted or curtailed for a period longer than 24 hours because of force majeure suffered by OACD, (a) all of the intervals of 24 hours or longer duration within any month when OACD is, because of such force majeure, unable to use more than 75 percent of

the power available, shall be combined, except for intervals covered by (b) below, into a separate billing period to which the pro rata portion of the normal monthly charge, including minimum bill, shall apply and (b) all of the intervals of 24 hours or longer duration within any month when OACD is, because of such force majeure, unable to use more than 5 percent of the power available shall be combined into another separate billing period for which the minimum bill shall be half the pro rata portion of the normal monthly minimum bill; provided, however, that OACD may designate, by oral notice to P&E within 72 hours after its load increases above 75 percent of the power available, a shorter billing period in lieu of the separate billing period provided for in (a) above. Any such oral notice shall be confirmed in writing.

Each party shall notify the other party promptly of the development of any cause of interruption or curtailment and shall remedy the effect of any such cause as promptly as practicable.

11. *Conditions of Delivery.* The power delivered under this memorandum shall be 3-phase alternating current at a frequency of approximately 60 hertz and at a nominal voltage of 161 kV. Except for temporary periods of abnormal operating conditions, voltage variations shall not exceed 7 percent up or down from normal voltage to be determined from operating experience.

OACD shall exercise all reasonable precautions and install all equipment necessary to limit its total demand as determined in accordance with this memorandum or the rate schedule attached hereto to the amount to which it is entitled under this memorandum. If the total demand for any interval exceeds the amount to which OACD is so entitled, OACD shall not be entitled to continue such excess takings thereafter whether or not it is obligated to pay therefor.

Maintenance by P&E at the point of delivery of voltage within the above-stated limits and frequency will constitute availability of power for purposes of this memorandum.

P&E shall not be obligated to install protective equipment, but may install such equipment as P&E deems necessary for the protection of its own property and operations. The electrical equipment installed by OACD shall be capable of satisfactory coordination with P&E's protective equipment.

In the event OACD's use of power causes fluctuations or disturbances on P&E's system, P&E may require OACD, at OACD's expense, to install suitable apparatus to keep such fluctuations or disturbances within reasonable limits.

OACD shall endeavor to take and use power and energy in such manner that the current will be reasonably balanced on the three phases. In the event that any check indicates that the current on the most heavily loaded phase exceeds the current on either of the other phases by more than 20 percent, OACD agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected within 60 days, or such other period as may be agreed upon, P&E may thereafter elect to meter the load on individual phases and compute the total demand for billing purposes as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with the current coil in that phase wire and to the potential coil connected between that phase wire and the neutral voltage point.

12. *Metering.* P&E's 13.2-kV revenue metering installation at the Wilson Dam Chemical Plant 161-kV Substation shall be used to measure the power and energy delivered hereunder. The amounts so measured shall be adjusted for losses to reflect delivery at the 161-kV point of delivery. Said metering installation shall be for P&E's exclusive use and control unless otherwise agreed and may be used by P&E separately or in conjunction with any other metering facilities which P&E may install. P&E shall have free access to said installation at all times. P&E at its expense will test, calibrate, operate, maintain, and replace said metering installation exclusive of the metering current and potential transformers, and OACD at its expense shall as requested by P&E from time to time perform necessary maintenance (including the making of replacements) of said metering current and potential transformers; provided, however, that P&E will furnish for installation by OACD any replacement current and potential transformers as may be required therefor. P&E will place its seals on all meters and metering facilities in said metering installation, and OACD shall not break said seals except upon request by P&E.

P&E shall at its expense make periodic tests and inspections of its metering equipment used to measure power deliveries to OACD in order to maintain a high standard of accuracy. If requested by OACD, P&E shall make additional tests and inspections of its metering equipment; if such additional tests show the measurements are accurate within 1 percent fast or slow at the average load during the preceding 30 days, the cost of making such additional tests or inspections shall be paid by OACD. P&E shall give OACD reasonable notice of tests, so that OACD may have a representative present if it wishes.

If any tests or inspections show P&E's measurements to be inaccurate by more than 1 percent, an offsetting adjustment shall be made in OACD's bills for any known or agreed period of inaccuracy; in the absence of such knowledge or agreement, the adjustment shall be limited to 30 days prior to the date of such tests. Any P&E metering equipment found to be inaccurate by more than 1 percent shall be promptly replaced, repaired, or readjusted by P&E.

13. *Previous Memorandum.* Effective as of the meter-reading time on March 31, 1985, the 1979 Memorandum is no longer applicable.

NET BOOK COST SCHEDULE—EXHIBIT B

Wilson Dam Chemical Plant 161-kV Substation—SS-2823

Work Order	Plant Account and Unit Description	Qty.	Date in Service
	Account 342-Structures and Improvements		
36847	Drainage system	All	6-24-66
36847	Fence	668'	6-24-66
	Foundations, outdoor-concrete		
36847	154 power transformer, 1-pier MK-AE (spare)	1	6-24-66
36847	12-kV grounding bank No. 1, 1-pier MK-AJ	1	6-24-66
36847	15-kV OCB, 2-piers, MK-AF	1	6-24-66
36847	Metering cabinet, type A, 2-piers, MK-AL	2	6-24-66
36847	Battery cabinet, 2-piers, MK-AL	1	6-24-66
35342	15-kV, OCB, 2-piers, MK-AS	1	12-20-66
	Foundations, outdoor substation-timer		
36847	154-power transformer bank No. 2	3	6-24-66
36847	12-kV grounding bank No. 2	1	6-24-66
36847	Grading	All	6-24-66
36847	Lighting-system	1-lot	6-24-66
	Structures, outdoor-steel		
36847	15-kV bus support with foundation-MK-AD	5	6-24-66
36847	15-kV reactor-str. with foundation-MK-AO	3	6-24-66
36847	15-kV bus and switch str. with foundations	1	6-24-66
36847	15-kV bus and switch str. with foundations	1	6-24-66
36847	15-kV bus support with foundation-MK-AD	1	6-24-66
36847	15-kV bus support with foundation-MK-AD	1	6-24-66
	Structures outdoor wood		
36347	161-neutral bus, bank No. 2, 40' pole	1	6-24-66
36847	15-kV bus support, 1-40' pole with crossarms	1	6-24-66
36847	15-kV bus support, 1-40' pole with crossarms	1	6-24-66
36847	15-kV bus support, 1-40' pole with crossarms	1	6-24-66
35342	Additional crossarms	-	12-20-66
36847	15-kV bus support, 1-40' pole with crossarms	1	6-24-66
36847	15-kV bus support, 2-40' poles with crossarms	1	6-24-66
36847	Overhead ground wire pole, 1-70'	1	6-24-66
36847	Overhead ground wire pole, 1-70'	1	6-24-66
36847	Surfacing, yard	20,900 sq.ft.	6-24-66
36847	15-kV bus support, 1-30' pole with crossarms	1	6-24-66
	Account 343-Station Equipment		
	Battery storage		
36847	Cabinet	1)	
36847	Battery charger	1)	
36847	Battery	1)	6-24-66
36847	Bus	10193#	6-24-66
36847	Cable-runs SS1, SS2, SS2.1	3	6-24-66
35342	Cable-run	1	12-20-66
36847	Cable-misc. runs	19	6-24-66
35342	Cable-misc. runs	5	12-20-66
36847	Conduit-steel-1"	58	6-24-66
36847	1¼"	459	6-24-66
35342	1¼"	65	12-20-66
36847	1½"	256	6-24-66
36847	2"	314	6-24-66
35342	2"	74	12-20-66
	Circuit breakers Power 15-kV		
	Position No. 214, G.E. S/N K6566123KY201		
36847	Material	1	10-14-54
36847	Installation	-	6-24-66
	Circuit breakers Power 15-kV		
	Position No. 224, Westinghouse, S/N 1-31Y-7495		
35342	Material	1	8-24-54
35342	Installation	-	12-20-66

Work Order	Plant Account and Unit Description	Qty.	Date in Service
	Fuses and cutouts		
36847	15-kV, dropout 100 amp. S.S.	2	6-24-66
36847	23-kV, dropout 100 amp. S.S.	3	6-24-66
35342	15-kV, expulsion, S&C B-mrr-o	3	12-20-66
36847	Grounding - 85% of total	-	6-24-66
	Insulators		
36847	Disc	10	6-24-66
36847	Pedestal, 23-kV, 3" B.C.	100	6-24-66
36847	Pedestal, 23-kV, 5", B.C.	26	6-24-66
36847	Pin, 55-kV	8	6-24-66
36847	Insulators, bushing roof type, 34.5-kV	15	6-24-66
	Lightning arresters		
36847	15-kV, SP, outdoor	6	6-24-66
36847	Reactors-phase for bank No. 1	3	6-24-66
	Switchboards-circuit breaker control cabinets		
	Position No. 214 & relaying		
36847	Cabinet	1	6-24-66
36847	Switch, SB-1	1	6-24-66
36847	Relay, reclosing ACR	1	6-24-66
36847	Relay, IAC	4	6-24-66
37207	Relay, frequency CFF	1	1-27-69
	Position No. 224 & Relaying		
36847	Cabinet complete	All	6-24-66
35342	Additional relay HEA	1	12-20-66
	Switches, disconnecting		
36847	15-kV, SPST, 3000 amp., A.B. Chance	9	6-24-66
35001-152	15-kV, SPST, 3000 amp., A.B. Chance	9	9-10-70
36847	15-kV, 3PST, 600 amp. S.S.	2	6-24-66
36847	Tools, small, not tagged	1-lot	6-24-66
	Transformers, current		
36847	15-kV, 3000/5 amp., A.C. LB-15	3	6-24-66
36847	15-kV, 600/5 amp., G.E. JKB-5	1	6-24-66
35342	15-kV, 3000/5 amp., A.E. LG-15	3	12-20-66
	Transformers, station service		
36847	25-kVA, SP Central, S/N 12177-6	1	6-24-66
	75-kVA, 3P Westinghouse, S/N 65k4096 & 65k4097	2	6-24-66
	Grounding bank No. 1, 65,000 kVA		
	12,000-24,000 volt, 3-phase, G.E., S/N 7934143		
36847	Material	1	5- 1-47
36847	Installation	-	6-24-66
	Grounding bank No. 2		
36847	Installation cost only	1	6-24-66
	Power transformer bank No. 2		
36847	Installation cost only for 3	-	6-24-66
	Spare transformer bank No. 1		
	G.E., S/N 3195762		
36847	Material	1	12-21-55
36847	Installation	-	6-24-66
	Account 378A-Communication		
36847	Local telephone system - complete	All	6-24-66

APPENDIX D
SUMMARY OF LITIGATION
January 1986

During the fiscal year 1985, a total of 183 judicial and administrative proceedings were filed (99 were court cases) and final determinations or settlements were entered in 257 proceedings (159 were court cases). At the beginning of the 1986 fiscal year some 219 cases were pending. This included 174 court cases, 32 MSPB appeals, 10 cases before the TVA Board of Contract Appeals, and 3 other administrative proceedings. Decisions of interest in court cases during the fiscal year included the following.

ELECTRICITY

The Supreme Court denied the plaintiff's petition for certiorari in Vance v. Tennessee Valley Authority in March. Plaintiffs had sought an injunction requiring the draining of Fontana Lake, one of the major components of the TVA reservoir system, on the grounds that TVA and the Corps of Engineers had breached an agreement to provide the plaintiffs with road access to the isolated cemeteries where their ancestors were buried. The previous road access was by North Carolina Highway 288, which had been flooded and abandoned when the reservoir was closed in 1944. The court of appeals, in an opinion published at 738 F.2d 1418, found no breach.

PERSONNEL

The Court of Appeals for the Federal Circuit reconfirmed the independence of the TVA personnel system in Dodd v. Tennessee Valley Authority, 770 F.2d 1038. Rejecting a former TVA employee's challenge to his reduction in force, the court stated that "it is clear beyond peradventure that TVA employees are in the excepted service," and that plaintiff therefore lacked the "bumping" and assignment rights which he was claiming. The court based its decision on Section 3 of the TVA Act, 16 U.S.C. § 831b (1982), which since TVA's inception has provided for the appointment of TVA's employees "without regard to the provisions of Civil Service laws applicable to officers and employees of the United States."